



Tamohara Investment Managers Private Limited

PORTFOLIO MANAGEMENT SERVICES

DISCLOSURE DOCUMENT

Portfolio Manager's SEBI Regn. No. INP000004763

Registered Address :71-A, Floor 7, Plot-228, Mittal Chambers, Barrister Rajani Patel Marg,

Nariman Point, Mumbai 400021

Telephone No: +91 (22) 22025600 Fax: +91 (22) 22025602

Tamohara Investment Managers Pvt Ltd

SEBI Registration Number: INP000004763

Key Information

- This Disclosure Document has been filed with the Securities and Exchange Board of India (SEBI) along with the certificate in the prescribed format in terms of Regulation 14 of SEBI (Portfolio Managers) Regulations, 1993.
- The purpose of the Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decisions for engaging Tamohara Investment Managers Pvt Ltd as a Portfolio Manager.
- This disclosure document sets forth concisely the necessary information about Tamohara Investment Managers Pvt Ltd. that is required by a prospective investor before investing.
- All the intermediaries involved in the scheme are registered with SEBI as on date of the document.
- The investor should carefully read the entire disclosure document prior to making a decision to avail of the Portfolio Management Services and should retain this Disclosure document for future reference.

Principal Officer

Mr. Arpit Agrawal

71-A, Floor 7, Plot-228, Mittal Chambers,

Barrister Rajani Patel Marg,

Nariman Point, Mumbai 400021.

Tel no. +91(22) 22025600

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Portfolio Manager

Tamohara Investment Managers Private Limited

71-A, Floor 7, Plot-228, Mittal Chambers,

Barrister Rajani Patel Marg,

Nariman Point, Mumbai - 400021.

Tel no. +91(22) 22025600

The Disclosure document is dated **August 24, 2015**

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1. DISCLAIMER CLAUSE

This Disclosure Document has been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations 1993 as amended till date and filed with SEBI. This Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Document.

2. DEFINITIONS

In this disclosure document, the following words and expressions shall have the meanings specified herein, unless the context otherwise requires:

Act	means the Securities and Exchange Board of India Act, 1992 (15 of 1992)
Board	means the Securities and Exchange Board of India
Client or Investor	means any person who signs an Agreement with the Portfolio Manager for availing portfolio management services.
Disclosure Document	This document issued by Tamohara Investment Managers Pvt Ltd for offering Portfolio Management Services, prepared in terms of Regulations 14 of SEBI (Portfolio Managers) Regulations, 1993.
Discretionary Portfolio Management Services	Discretionary Portfolio Management Services means Portfolio Management Services provided by the Portfolio Manager exercising any degree of discretion as to investments, or management of the Portfolio of the securities or the funds of clients, as the case may be, as per the Agreement relating to portfolio management and to ensure that all benefits accrue to the Client's Portfolio, for an agreed fee structure, and for a definite period as described, entirely at the Client's risk.
Financial year	means the year starting from April 1 and ending on March 31 of the following year.
Funds	means the money and/or market value of securities placed by the Client with the Portfolio Manager and any accretions thereto.
Initial Corpus	means the value of the funds and the market value of readily realizable securities brought in by the client at the time of registering as a client with the Portfolio Manager and accepted by the Portfolio Manager.
NRI	Non-Resident Indian as defined in Section 2(30) of the Income Tax Act, 1961
Portfolio	Portfolio means the total holdings of funds/securities belonging to any person / investor
Portfolio Manager	Tamohara Investment Managers Private Limited incorporated under the Companies Act, 2013, and registered with SEBI to act as a Portfolio Manager in terms of SEBI (Portfolio Managers) Regulations, 1993 vide Registration No.INP000004763
RBI	Reserve Bank of India, established under the Reserve Bank of India Act, 1934, as amended from time to time.
Regulations	means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993.
Rules	means the Securities and Exchange Board of India (Portfolio Managers) Rules, 1993.
SEBI	means The Securities and Exchange Board of India.
The Agreement	The agreement executed between the Portfolio Manager and its clients.
Securities	Security as defined in Section 2(h) of the Securities Contract (Regulation) Act, 1956, provided that securities shall not include any securities which the Portfolio Manager is prohibited from investing in or advising on under the Regulations or any other applicable law.

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

3. DESCRIPTION

(i) **History, Present Business and Background of the Portfolio Manager**

Tamohara Investment Managers Private Limited was incorporated on 26th September, 2014. It is engaged in the business of rendering fund management services to funds, alternative investment funds, individuals, corporate, institutions and all such classes of investors. Tamohara Investment Managers Private Limited has received approval for rendering portfolio management services on August 7, 2015 vide registration number INP000004763.

(ii) **Promoters of the Portfolio Managers, Directors and their background**

a. **Promoters**

Mr. Arpit Agrawal, one of the promoters of Tamohara Investment Managers Private Limited, who has vast experience in the area of Portfolio Management, has been appointed as Principal Officer of Tamohara Investment Managers Private Limited.

Mr. Arpit Agrawal, Mr. Deepak Singh Tanwar, Mr. Anurag Khetarpal and Mr. Krishnan Lall Khetarpaul are current Directors of Tamohara Investment Managers Private Limited.

b. **Particulars of Directors**

I	Name of Director	Mr. Arpit Agrawal
	Address	71-A, Floor 7, Plot-228, Mittal Chambers, Barrister Rajani Patel Marg, Nariman Point, Mumbai - 400 021
	Qualification	<ul style="list-style-type: none"> • Chartered Accountant from ICAI • B. Com, Sydenham College of Commerce, Mumbai University
	Experience	<p>Arpit has over 13 years of experience in Indian Financial Markets, Audit and Management Consulting.</p> <ul style="list-style-type: none"> • Before Co-founding Tamohara, he successfully managed Discretionary Long Only Equity Portfolios at Barclays Securities (I) Pvt Ltd since early 2009. • Between 2004-2008, Arpit has worked in various capacities at Arihant Capital Markets Limited, one of the leading domestic brokerage house in India. • In past he was part of Assurance team at Bharat S Raut & Co advising companies in Auto Ancillary, Oil & Gas, and Pharmaceutical Sectors.
	Date of Appointment	2 nd May, 2015
II	Name of Director	Mr. Deepak Singh Tanwar
	Address	71-A, Floor 7, Plot-228, Mittal Chambers, Barrister Rajani Patel Marg, Nariman Point, Mumbai - 400 021
	Qualification	Bachelor of Commerce
	Experience	<p>Deepak has an extensive experience of over 22 years in the financial markets.</p> <ul style="list-style-type: none"> • He is a co-founder of Sound Investments and Consulting. He has been successfully running Alternative Investment and Trading strategies in Equities and Commodities in Indian markets since 1998 with a consistent track record of outperforming Benchmarks. His proprietary funds have generated Absolute Positive Returns in each year including the year 2008.
	Date of Appointment	26 th September, 2014

III	Name of Director	Mr. Anurag Khetarpal
	Address	71-A, Floor 7, Plot-228, Mittal Chambers, Barrister Rajani Patel Marg, Nariman Point, Mumbai 400 021
	Qualification	Masters in Economics from Mumbai University
	Experience	Anurag is a Masters in Economics with more than 20 years of experience in the financial markets. <ul style="list-style-type: none"> • He is a co-founder of Sound Investments and Consulting. He has been successfully running Alternative Investment and Trading strategies in Equities and Commodities in Indian markets since 1998, with a consistent track record of outperforming Benchmarks. His proprietary funds have generated Absolute Positive Returns in each year including the year 2008.
	Date of Appointment	26 th September, 2014
IV	Name of Director	Mr. Krishnan Lall Khetarpaul
	Address	71-A, Floor 7, Plot-228, Mittal Chambers, Barrister Rajani Patel Marg, Nariman Point, Mumbai 400 021,
	Qualification	Masters in Economics from Mumbai University
	Experience	<ul style="list-style-type: none"> • At RBI, Mr. Khetarpaul was leading the Department of Banking Supervision, involved with regulation and supervision of banks & financial institutions for more than 10 years. Supporting the board for financial supervision of the bank, Mr Khetarpaul has been involved in framing policies & strategies for supervision of banks & FIs and overseeing their implementation. Over the course of 37 years at RBI, he also held the following positions: <ul style="list-style-type: none"> ◦ Trustee on the board of Unit Trust of India (UTI) ◦ Head of technical committee of RBI and SEBI for Capital Market ◦ Member of the governing council of Indian Institute of Bankers (IIB) ◦ Member of the education and training committee of IIB ◦ Special invitee on supervision board of National Bank for Agriculture and Rural Development (NABARD) ◦ Nominee director on the boards of the Punjab National Bank and the Jammu & Kashmir Bank Ltd ◦ Director on the board of Deposit Insurance and Credit Guarantee Corporation (DICGC) • He was the first Director of PNB Institute of Information Technology, Lucknow (2004-06). • Mr. Khetarpaul has recently launched his book titled "Indian Financial System - Evolution and Outlook". • He is currently the Director of Khetarpaul and Associates, offering consultancy services in Banking. • His second book 'Central Banking in India - Practices versus Policies' was released in July 2014
	2008 – Present (6 years)	Director - Jasch Industries Ltd On the Board of Directors and Chairman of its Audit Committee.
	2006 – Present (8 years)	Director - Khetarpaul and Associates Compliance and regulation consultancy in the field of Banking
2006 – Present (8 years)	Director -Almonds Global Securities Limited On the Board of Directors and member of its Audit Committee	

	2004 – 2006 (2 years)	Director - PNB Institute of Information Technology
	2001 – 2003 (2 years)	Executive Director - Reserve Bank of India
	Date of Appointment	2 nd May, 2015

(iii) **Top 10 Group companies/firms of the Portfolio Manager on turnover basis**

Not applicable

(iv) **Details of services being offered:**

Tamohara Investment Managers Pvt Ltd will provide Portfolio Management and advisory services. Kindly refer to Point 5 for more details.

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

(i)	All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Rules or Regulations made there under	Nil
(ii)	The nature of the penalty / direction	Not Applicable
(iii)	Penalties imposed for any economic offence and / or for violation of any securities laws	Nil
(iv)	Any pending material litigation / legal proceedings against the Portfolio Manager / key personnel with separate disclosure regarding pending criminal cases, if any	Nil
(v)	Any deficiency in the systems and operations of the Portfolio Manager observed by the Board or any regulatory agency	Nil
(vi)	Any enquiry / adjudication proceedings initiated by the Board against the Portfolio Manager or its directors, principal officer or employee or any person directly or indirectly connected with the Portfolio Manager or its directors, principal officer or employee, under the Act or Rules or Regulations made thereunder.	Nil

5. SERVICES OFFERED

(i) **DISCRETIONARY SERVICES**

The Portfolio Manager will provide Discretionary Portfolio Management Services which shall be in the nature of investment management, and may include the responsibility of managing, renewing and reshuffling the portfolio, buying and selling the securities, keeping safe custody of the securities and monitoring book closures, dividend, bonus, rights etc. so that all benefits accrue to the Client's Portfolio, for an agreed fee structure and for a definite period as described, entirely at the Client's risk.

The Portfolio Manager shall have the sole and absolute discretion to invest in respect of the Client's account in any type of security as per executed Agreement and make such changes in the investments and invest some or all the Client's account in such manner and in such markets as it deems fit would benefit the Client.

(ii) **STRUCTURED PRODUCTS**

Under the Portfolio Management Services offered to the Client, the Portfolio Manager may design financial products or invest in any one or a combination of financial instruments such as equity, bonds, debentures, mutual fund units, fixed deposits, derivatives instruments, etc. to meet specific requirements of the Clients.

These products would be managed in accordance with the product specifications provided by the Portfolio Manager to the Client. The amount invested by the clients under the structured products may be as per the Investment Period as per the Agreement and subject to exit load in case of early withdrawal. Every structured product would have separate term sheet and risks, these would be documented and would be agreed by the clients in writing before investment.

(iii) **NON-DISCRETIONARY SERVICES**

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

(iv) **ADVISORY SERVICES**

The Portfolio Manager will provide Advisory Portfolio Management Services, in terms of the SEBI (Portfolio Manager) Regulations, 1993, which shall be in the nature of investment advisory and shall include the responsibility of advising on the portfolio strategy, sectoral allocation and investment and divestment of individual securities on the client portfolio, for an agreed fee structure, entirely at the Client's risk; to all eligible category of investors who can invest in Indian market including domestic institution, NRIs, FIIs, etc.

The Portfolio Manager shall be solely acting as an advisor to the portfolio of the client and shall not be responsible for the investment / divestment of securities and / or administrative activities on the clients portfolio. The Portfolio Manager shall, provide advisory services in accordance with such guidelines and/or directives issued by the regulatory authorities and/or the Client, from time to time, in this regard.

(v) **MINIMUM INVESTMENT AMOUNT**

The first minimum lump-sum investment amount to be invested under the portfolio is Rs. 50,00,000/- (Rupees Fifty Lacs Only), which can be amended at the discretion of the Portfolio Manager.

(vi) **POLICY FOR INVESTMENT IN ASSOCIATE / GROUP COMPANIES**

The Portfolio Manager will not invest in its subsidiary or associate companies.

(vii) **INVESTMENT STRATEGY AND OBJECTIVES**

The investment objective of the Portfolio is to generate income and long-term capital appreciation from a diversified portfolio of predominantly equity and equity-related Securities. The strategy is to invest in a diversified portfolio of listed companies with sustainable business models. The strategy will be market capitalisation and benchmark agnostic with a flexibility to invest across the market capitalization spectrum (i.e. Large, Mid and Small cap companies) and across industries / sectors

6. RISK FACTORS

- (i) Securities investments are subject to market risks and there is no assurance or guarantee that the objectives of investments will be achieved.
- (ii) Past performance of the Portfolio Manager is not indicative of its future performance.

- (iii) Investors are not being offered any guaranteed or assured return/s i.e. either of Principal or appreciation on the portfolio.
- (iv) Investors may note that Portfolio Manager's investment decisions may not be always profitable, as actual market movements may be at variance with anticipated trends.
- (v) The liquidity of the Portfolio's investments is inherently restricted by trading volumes in the securities in which it invests.
- (vi) The valuation of the Portfolio's investments, may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the Government, taxation laws or any other appropriate authority policies and other political and economic developments which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets. There will be no prior intimation or prior indication given to the Clients when the composition / asset allocation pattern changes.
- (vii) Risk Arising from Investment Objective, Investment Strategy and Asset Allocation Trading volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the Portfolio. Different segments of the financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. The inability of the Portfolio to make intended securities purchases due to settlement problems could cause the Portfolio to miss certain investment opportunities. By the same rationale, the inability to sell securities held in the portfolio due to the absence of a well developed and liquid secondary market for debt securities would result, at time, in potential losses to the Portfolio, in case of a subsequent decline in the value of securities held in the Portfolio.
- (viii) The Portfolio Manager may, considering the overall level of risk of the portfolio, invest in lower rated/unrated securities offering higher yields and/or higher capital appreciation potential. This may increase the risk of the portfolio. Such investments shall be subject to the scope of investments as laid down in the Agreement.
- (ix) Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk, in comparison to securities that are listed on the exchanges or offer other exit options to the investor, including a put option. The Portfolio Manager may choose to invest in unlisted securities that offer attractive yields and/or higher capital appreciation potential. This may however increase the risk of the portfolio. Such investments shall be subject to the scope of investments as laid down in the Agreement.
- (x) While securities that are listed on the stock exchange carry lower liquidity risk, the ability to sell these investments is limited by the overall trading volume on the stock exchanges. Money market securities, while fairly liquid, lack a well-developed secondary market, which may restrict the selling ability of the Portfolio(s) and may lead to the investments incurring losses till the security is finally sold.
- (xi) The Portfolio Manager may, subject to authorization by the Client in writing, participate in securities lending. The Portfolio Manager may not be able to sell / lend out securities, which can lead to temporary illiquidity. There are risks inherent in securities lending, including the risk of failure of the other party, in this case the approved intermediary to comply with the terms of the agreement. Such failure can result in a possible loss of rights to the collateral, the inability of the Approved Intermediary to return the securities deposited by the lender and the possible loss of corporate benefits accruing thereon.
- (xii) To the extent that the portfolio will be invested in securities denominated in foreign currencies, the India Rupee equivalent of the net assets, distributions and income may be adversely affected by fluctuations in foreign

exchange rates caused by changes in regulations concerning exchange controls, political circumstances or other restrictions on investment.

- (xiii) **Interest Rate Risk:** changes in interest rates may affect valuation of the Portfolio. debt markets can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby of possible movements in the valuations of Portfolios.
- (xiv) **Liquidity or Marketability Risk:** Certain securities may become impossible to sell or not marketable due to the absence of any potential buyers. In such situations, the investment in the securities may be lost or its realization may be inordinately delayed.
- (xv) **Derivative Risk:** Derivatives are specialized instruments that require an understanding not only of the underlying interest but of derivatives itself. Schemes using derivatives / futures and Options products are affected by risks different from those associated with stock and bonds. Such products are highly leveraged instruments and their use requires a high degree of skill, diligence and expertise. Small price movements in the underlying security may have a large impact on the value of the derivatives and Futures and Options. Some of the risks relate to mispricing or the improper valuation of derivatives and the inability to correlate the positions with underlying assets, rates and indices, counter party risk. Also, the market for derivatives market is nascent in India.
- (xvi) **Credit Risk:** Credit Risk or default risk refers to the risk that an issuer of a fixed income security may default (i.e., will be unable to make timely principal and interest payments on the security). Because of this risk corporate debentures are sold at a higher yield above those offered on Government Securities which are sovereign obligations and carry lower credit risk. Normally, the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk.
- (xvii) **Risks arising out of Non Diversification:** Diversification of portfolio across asset classes, investment themes, sectors and securities is normally construed to be less risky for investors. It is to be noted that the portfolio is likely to be more focused on a single asset class, i.e. equities which inherently can be volatile. Further the portfolio could be subject to more risk on account of its concentration of investments into a few sectors or a limited number of securities. In addition to limited/inadequate diversification across asset classes, themes and sectors, the portfolio could be prone to higher risk on account of non-diversification across capitalizations, particularly if the portfolio has a bias towards mid-cap and small-cap companies
- (xviii) **Specific Risk factors pertaining to Unlisted Securities:**In case of a Company's IPO, the investment may be subject to regulatory lock in, if any, as prescribed by SEBI from time to time. Many of such investments made by the Portfolio Manager may be illiquid, and there can be no assurance that the Portfolio Manager will be able to realize value from such investments in a timely manner. Since such investment may involve a high degree of risk, poor performance by such investments could lead to adverse effects on investor portfolios.

7. FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER

The Portfolio Manager does not have financial statements for the previous Financial Years since it was registered as portfolio manager on August 7, 2015. However the net worth as on August 24, 2015 is Rs. 20,050,873

8. PORTFOLIO MANAGEMENT PERFORMANCE AND TRANSACTION WITH RELATED PARTIES

The portfolio manager has no previous experience and track record in Portfolio Management Activities. The background and experience of the Directors is provided in Point 3 above.

Presently, there are no transactions or portfolios of related parties managed by the Portfolio Manager.

9. NATURE OF EXPENSES

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

(i) Management Fees

Management Fees relate to the Portfolio Management Services offered to clients. The fee may be a fixed charge or a percentage of funds or linked to portfolio returns achieved or a combination of any of these, as mutually agreed with the Client in the PMS Agreement. In the event of it being a fixed charge or a percentage of the quantum of funds managed, it shall not exceed 2% p.a. or at such other rate, agreed and calculated in the matter prescribed in the agreement executed with client.

In addition to the fixed fee, with regard to the management fees linked to portfolio returns/out performance achieved, the fee structure will be mutually decided as per the client agreement.

With regard to the management fees linked to portfolio returns achieved, the terms will be decided as per the client agreement. Service tax at the applicable rate as amended from time to time will be charged separately.

Other charges include the following expenses, shall be charged at actual.

(ii) Custodian/Depository Fees/Fund accounting fees

The charges relating to opening and operation of dematerialized accounts, fund accounting charges, NAV computation fees, custody and transfer charges for shares, bonds and units, dematerialization and other charges in connection with the operation and management of the depository accounts.

(iii) Registrar and transfer agent fee

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

(iv) Brokerage and transaction costs

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

(v) Securities Lending and Borrowing charges

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

(vi) **Certification and professional charges**

Charges payable for out sourced professional services like fund accounting, audit, taxation and legal services, notarizations etc. for certifications, attestations required by bankers or regulatory authorities.

(vii) **Incidental Expenses**

Charges in connection with the courier expenses, postal, telegraphic, opening and operation of bank accounts etc.

10. TAXATION

(i) **GENERAL**

In view of the individual nature of tax consequences on the income, capital gains or otherwise, arising from investments, each Client is advised to consult / his / her / its tax advisor with respect to the specific tax consequences to him/ her / it of participation in the portfolio management services.

The Portfolio Manager shall not be responsible for assisting in or completing the fulfillment of the client's tax obligations. The income tax rates listed below are based on the tax provisions prevailing on the date of the document and can be subject to change.

(ii) **TAX DEDUCTION AT SOURCE**

Tax is required to be deducted at source for non-residents by the authorized dealer under section 195 of the Income Tax Act, 1961 ('the Act'). If required, tax will be withheld for non-residents. If any tax is required to be withheld on account of any future legislation, the Portfolio Manager shall be obliged to act in accordance with the regulatory requirements in this regard.

Any person entitled to receive any sum or income or amount, on which tax is deductible under Chapter XVIIIB, shall furnish his Permanent Account Number to the person responsible for deducting such tax, failing which tax shall be deducted at the higher of the following rates, namely:

- (a) at the rate specified in the relevant provision of this Income Tax Act; or
- (b) at the rate or rates in force; or
- (c) at the rate of twenty per cent.

Education cess @2% and higher education cess @1% is applicable.

(iii) **ADVANCE TAX INSTALLMENT OBLIGATIONS**

It shall be the Client's responsibility to meet the obligation on account of advance tax installments payable on the due dates under the Act.

(iv) **TAX IMPLICATIONS TO DIFFERENT CATEGORIES OF INVESTORS**

Income arising from purchase and sale of shares (for the sake of brevity, the term "shares" has been used below as an illustration but the same includes other types of securities) can give rise to business income or capital gains in the hands of the investor.

The issue of income characterization as above is essentially a question of fact and dependent on whether the shares are held as Business / Trading assets or on Capital Account. Based on judicial decisions, all of the following factors and principles need to be considered while determining the nature of assets as above:

- (a) Motive for the purchase of shares.
- (b) Frequency of transactions and the length of period of holding of the shares
- (c) Treatment of the shares and profit or loss on their sale in the accounts of the assessee.
- (d) Source of funds out of which the shares were acquired – borrowed or own.
- (e) Existence of an object clause permitting trading in shares – relevant only in the case of corporate.
- (f) Acquisition of the shares – from primary market or secondary market.
- (g) Infrastructure employed for the share transactions by the client including the appointment of managers, etc.

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

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

Central Board of Direct Taxes advised that no single principle would be decisive and the total effect of all the principles should be considered to determine whether, in a given case, the shares are held by the assessee as investment or stock-in-trade.

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

(v) **TAX IMPLICATIONS WHERE TRANSACTIONS ARE IN NATURE OF INVESTMENTS**

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

Dividends referred to in section 115-O will be exempt under section 10(34). Dividend other than that referred to in section 115-O and interest income from securities will be taxed under the head Income from Other Sources.

Income from units of Mutual Funds specified under clause 10(23D) is exempt from tax under section 10(35) of the Act, Further, it has been clarified that income arising from transfer of units of Mutual Fund shall not be exempt under section 10(35).

(vi) **SHORT TERM CAPITAL GAINS**

Under the provisions of the Act, listed shares, notified zero coupon bonds (ZCBs), units of equity oriented mutual fund and other securities listed on a recognized stock exchange (including listed derivatives but excluding units of mutual fund), held as capital assets, are regarded as short-term capital assets, if held for a period of 12 months or less. Other assets (including debt-oriented mutual funds and shares of unlisted companies) are regarded as short-term capital assets if held for a period of 36 months or less.

Section 111A of the Act provides that short-term capital gains arising on sale of Equity Shares of a company or units of Equity Oriented Fund entered into a recognized stock exchange and on sale of units of Equity Oriented Fund to the

Mutual Fund provided such transactions are subject to STT are chargeable to income tax at a concessional rate of 15% plus applicable surcharge and cess. Further, Section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains. Other short term capital gains arising on sale of short term assets will be added to the total income. Total income including short-term capital gains will be chargeable to tax as per the relevant slab rates.

(vii) **LONG TERM CAPITAL GAINS**

An investment, which is not a short term capital asset, would be treated as long term capital asset.

Exemption Applies

Under Section 10(38), where an income arises from transfer of long term capital asset, being Equity Shares in a company or units of Equity Oriented Fund are exempt from income tax provided such transactions are entered into a recognized stock exchange and such transactions are chargeable to STT.

Exemption does not Apply

In respect of capital gains not exempted under section 10(38), the provisions for taxation of long-term capital gains for different categories of assessee will apply differently as per Indian tax laws, at tax rates of 10 percent or 20 percent, depending on facts.

(viii) **PROFITS AND GAINS OF BUSINESS OR PROFESSION**

- (a) If the investment under the Portfolio Management Services is regarded as “Business / Trading Asset” then the gain / loss arising there from is likely to be taxed as income from business.
- (b) Dividend from securities referred to in section 115-O, will be exempt under section 10(34) of the Act. Dividends other than that referred to in section 115-O and interest income will be taxable as Income from Other Sources. Income from units of Mutual Funds specified under clause 10(23D) is exempt from tax under section 10(35) of the Act. Further, it has been clarified that income arising from transfer of units of Mutual Fund shall not be exempt under section 10(35).
- (c) Where income referred to above is treated as Business Income, the person is eligible for deduction u/s 36(1)(xv), for the amount of STT paid.
- (d) Taxation on Business Income will apply at slab rates for individuals and HUFs and at applicable tax rate of 30 percent for firms, companies and limited liability partnerships. Foreign companies will be liable to tax at 40 percent on Business Income. Additionally, applicable surcharge and education cess will apply.

(ix) **MAT**

Corporate and non-corporate entities are liable to pay Alternative Minimum Tax (applicable to non-corporate entities) and Minimum Alternative Tax (applicable to corporate entities) including on long term capital gains, at the rate of 18.5 percent. Additionally, applicable surcharge and education cess will apply.

11. ACCOUNTING POLICIES

- (i) The company shall maintain a separate Portfolio record in the name of the client to account for the assets of the client and any receipts, income and expenses in connection therewith as provided under SEBI Regulations (Portfolio Managers Regulations 1993).
- (ii) For every Client Portfolio, the Company shall keep and maintain proper books of accounts, records and documents, for the Client, on mercantile system of accounting, so as to explain its transactions and to disclose at any point of time the financial position of the Client Portfolio and Financial Statements and in particular give a true and fair view of the state of affairs.
- (iii) The Following Accounting Policies are proposed to be followed for the purpose of maintaining books of accounts, records for the client.
 - (a) For the purposes of the financial statements, the Company shall carry all investments in the balance sheet at cost.
 - (b) Investments introduced by the client in his portfolio will be booked at the market value as of the date of introduction to the portfolio. Dividend income earned by a Client shall be recognized, not on the date the dividend is declared, but on the date the shares are quoted on an ex-dividend basis. For investments which are not quoted on a stock exchange, dividend income shall be recognized on the date of actual receipt.
 - (c) In respect of all interest-bearing investments, income shall be accrued on a day-to-day basis as it is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date upto the date of purchase shall not be treated as a cost of purchase but shall be debited to Interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale shall not be treated as an addition to sale value but shall be credited to Interest Recoverable Account.
 - (d) In determining the holding cost of investments and the gains or loss on sale of investments, the First-in-First-out (FIFO) method shall be followed.
 - (e) Transactions for purchase or sale of investments shall be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year is recorded and reflected in the financial statements for that same year.
 - (f) Bonus shares to which the Client becomes entitled shall be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
 - (g) Rights entitlement shall be recognized only when the original shares on which the rights entitlement accrues are traded on the stock exchange on an ex-rights basis.
 - (h) The cost of investments acquired or purchased shall include brokerage, service tax, securities transaction tax, stamp duty and any other charges customarily included in the broker's contract note.
 - (i) In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment .
 - (j) All other income & expenses shall be accounted on accrual basis.

- (k) Investments in equities and exchange traded funds will be valued at the closing market prices at the stock exchange (Bombay Stock Exchange (BSE) or National Stock Exchange (NSE) as the case may be). debt instruments will be valued at market value at the cutoff date, or the last available price. In case any securities are not traded on the valuation date, the last available traded price shall be used for the valuation of those securities.
- (l) Investments in units of Mutual Funds shall be valued at the repurchase price or the NAV published by the Mutual Fund Houses on the date of the report. Where no NAV is published for a particular day, the last working day's published NAV will be taken for valuation purpose.
- (m) Open positions in derivative transactions, will be marked to market on the valuation date. Pending listing on BSE/NSE, securities relating from a demerger are valued at their apportioned costs as per the ratios / values in terms of the scheme.
- (n) Private equity / Pre IPO placements will be valued at cost or at an available last deal price at which the company has placed similar securities to other investors.
- (o) Unrealized gain / losses is the difference, between the current market value/ Net Asset Value and the historical cost of the securities.
- (p) The Portfolio Manager and the client can adopt any specific norms or methodology for valuation of investments or accounting, if the same is mutually agreed between them.

12. INVESTOR SERVICES

i. Name, Address and Telephone Number of the Compliance Officer, who shall attend to the investor queries and complaints.

Name : Monica Rehana
Address : 71-A, Floor 7, Plot-228, Mittal Chambers,
Barrister Rajani Patel Marg, Nariman Point, Mumbai 400021
Telephone : +91 (22) 22025600
Fax : +91 (22) 22025602
Email : compliance@tamohara.net

ii. Grievance redressal and dispute settlement mechanism

The Compliance Officer(s) will be the interface between the Portfolio Manager and the Client. The Compliance Officer(s) shall be responsible for redressing the grievances of the Clients.

All disputes, differences, claims and questions whatsoever arising from (i) the Agreement between the Client and the Portfolio Manager and (ii) the services to be rendered by the Portfolio Manager and / or their respective representatives shall be attempted to be resolved by discussions between the parties and amicable settlement. In case the disputes remain unsettled, the same shall be referred to a sole arbitrator and such arbitration shall be 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. Such Arbitration proceedings shall be held at Mumbai.

In addition to the above, the clients can also Login to the SEBI SCORES website www.scores.gov.in to register their grievances/complaints.