

(As per the requirement of Fifth Schedule of Regulation 14 of Securities and Exchange Board of India (Portfolio Managers) Regulation 1993)

## KEY INFORMATION AND DISCLOSURE DOCUMENT FOR PORTFOLIO MANAGEMENT SERVICES UNDERTAKEN BY IIFL ASSET MANAGEMENT LIMITED.

This document has been filed with the Board along with a certificate in the prescribed format in terms of Regulation 14 of the SEBI (Portfolio Managers) Regulations, 1993.

The purpose of the Document is to provide essential information about the portfolio management services in a manner to assist and enable the Investors in making decisions for engaging a Portfolio Manager.

The necessary information about the Portfolio Manager required by an Investor before investing is disclosed in the Disclosure Document and the Investor is advised to retain the document for future reference.

Investors should carefully read the entire document before making a decision and should retain it for future reference. Investors may also like to seek further clarifications or obtain further changes after the date of this document from the service provider.

Following are the details of the Portfolio Manager:

Name of the Portfolio Manager	IIFL Asset Management Limited
SEBI Registration Number	INP000004565
Registered Office Address	IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel (W), Mumbai - 400013
Phone	(+91 - 22) 39585600
Website	<a href="http://www.iiflwf.com">www.iiflwf.com</a>

THE NAME, PHONE NO., E-MAIL ADDRESS OF THE PRINCIPAL OFFICER SO DESIGNATED BY THE PORTFOLIO MANAGER IS:

<b>Name of the Principal Officer</b>	<b>Mr. Prashasta Seth</b>
Phone	(+91 - 2243411816)
Email	Prashasta@iiflw.com
Website	<a href="http://www.iiflwf.com">www.iiflwf.com</a>

Date: October 27, 2017

<u>1. Disclaimer:</u> .....	3
<u>2. Definitions:</u> .....	3
<u>3. Description:</u> .....	4
<u>4. Penalties, Pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any regulatory authority:</u> .....	9
<u>5. Details of Services offered by the Portfolio Manager:</u> .....	9
<u>6. Risk Factors:</u> .....	9
<u>7. Client Representation:</u> .....	15
<u>8. Financial Performance of Portfolio Manager based on Audited Statement for the year ended March 31, 2017:</u> .....	23
<u>9. Portfolio Management Performance:</u> .....	24
<u>10. Nature of costs and expenses for clients:</u> .....	24
<u>11. Taxation:</u> .....	25
<u>12. Accounting Policy / Valuations:</u> .....	32
<u>13. Investor Services:</u> .....	34
<u>14. Additional Disclosures:</u> .....	34
<u>15. GENERAL:</u> .....	35
<u>16. Signatures:</u> .....	35

FORM C

---

## **1. Disclaimer:**

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

## **2. Definitions:**

In this Disclosure Document, unless the context or meaning thereof otherwise requires, the following expressions shall have the meaning assigned to them hereunder respectively:-

- a) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992).
- b) "Agreement" means agreement between Portfolio Manager and its client and shall include all schedules and annexures attached thereto.
- c) "Board" means the Securities and Exchange Board of India.
- d) "Body Corporate" shall have the meaning assigned to it in or under clause (11) of Section 2 of Companies Act, 2013.
- e) "Client" or "Investor" means any person who registers with the Portfolio Manager and enters into an agreement with the Portfolio Manager for availing the services of Portfolio Management.
- f) "Custodian" means any person who carries on or proposes to carry on the business of providing custodial services in accordance with the regulations issued by SEBI from time to time.
- g) "Depository" means a body corporate as defined in the Depositories Act, 1996 (22 of 1996) and includes National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL).
- h) "Depository Account" means any account of the Client or for the Client with an entity registered as a depository participant as per the relevant regulations in which the securities comprising part of the portfolio of the client are kept by the portfolio manager.
- i) "Disclosure Document" means this disclosure document dated October 27, 2017 for offering Portfolio Management Services.
- j) "Financial year" means the year starting from 1st April and ending on 31st March the following year.
- k) "Funds" means the moneys placed by the Client with the Portfolio Manager and any accretions thereto.
- l) "Funds managed" means the value of the Portfolio of the Client as on date.
- m) "Initial Corpus" means the value of the funds and the value of readily realizable investments brought in by the client at the time of registering as a client with the Portfolio Manager and accepted by the Portfolio Manager.
- n) "PMS / Portfolio Management Services Agreement" includes contract / term sheet entered between the portfolio manager and the client for the management of funds or securities of the client.
- o) "Portfolio" means the total holdings of all investments, securities and funds belonging to the client.
- p) "Portfolio Manager" means IIFL Asset Management Limited, a company incorporated under the Companies Act, 1956 and having its registered office at IIFL Centre, 6th Floor, Kamala Mill Compound, Senapati Bapat Marg, Lower Parel, Mumbai- 400013.
- q) "Principal Officer" means a person who has been designated as Principal Officer by the Portfolio Manager as required under the SEBI (Portfolio Managers) Regulations, 1993 and he will be responsible for the activities of Portfolio Manager.
- r) "Regulations" means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 including rules, guidelines or circulars issued in relation thereto from time to time

- s) "SEBI" means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act, 1992.
- t) "Securities" means and includes Securities as defined under Securities Contracts (Regulation) Act, 1956

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

### **3. Description:**

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

IIFL Asset Management Limited (Formerly India Infoline Asset Management Company Ltd.) ("IIFL AMC") was incorporated under the Companies Act, 1956 on March 22, 2010, having its Registered Office at IIFL Centre, 6th Floor, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai 400 013. IIFL AMC provides Investment Manager Services to Schemes of IIFL Mutual Fund, Schemes of Alternative Investment Funds and India Infoline Venture Capital Fund. IIFL AMC also provides Portfolio Management Services.

#### **(ii) Promoters of the Portfolio Manager, directors and their background.**

##### **(a) Promoters of IIFL Asset Management Limited. (IIFL AMC)**

IIFL AMC is wholly owned subsidiary of IIFL Wealth Management Ltd (IIFLW). IIFLW is engaged in business of Portfolio Manager, Stock Broker, Depository Participant and Investment Advisor. IIFLW is also registered with AMFI as a distributor of mutual funds. IIFLW provides wealth management services to various HNI / Ultra HNI clients and inter alia distributes various securities and financial products, including mutual funds, alternative investment funds, debentures and structured products. IIFLW acts as the Sponsor to IIFL Mutual Fund and schemes launched as Alternative Investment Funds, managed by group companies;

IIFL Wealth Management Ltd. is subsidiary of IIFL Holdings Ltd. (IIFL). IIFL and its subsidiaries, is one of the leading players in the Indian financial services space. IIFL offers advice and execution platform for the entire range of financial services covering products ranging from Equities and derivatives, Wealth Management, Asset management, Insurance, Fixed deposits, Loans, Investment Banking, GOI bonds and other small savings instruments.

##### **(b) The Board of Directors of IIFL Asset Management Limited**

###### **1) Mr. Amit Shah –Director**

Mr. Amit Shah is a Chartered Financial Analyst (CFA) from ICAI and holds a graduate degree in Commerce. He has more than sixteen years of experience in the financial services industry, including nine years advising institutional investors in North America and Singapore. Prior to IIFL, Amit has been associated with Kotak and CITI Groups Wealth Management business.

###### **2) Ms. Homai Daruwalla - Independent Director**

Ms. Daruwalla is Chartered Accountant and has an experience of more than three decades in Banking & Financial services sector. She was the Chairperson and Managing Director of Central Bank of India overseeing the entire operations of the Bank from June 2005 to December 2008. She has reached pinnacle of banking career with varied experience of working with three large Public Sector Banks viz. Union Bank of India, Oriental Bank of Commerce and Central Bank of India during last 34 years. Ms. Daruwalla commenced her banking career with Union Bank of India where she handled many important assignments both at corporate office and field level. She was actively associated with a host of Committees constituted in the Bank in area of Corporate Governance, Banking Technology Solutions, Audit, Risk Management, Asset Liability Management, Customer Service, Premises and Property, Computerization including Core Banking etc. She was a Member of Central Sub-Committee on Concurrent Audit of Banks constituted by the Institute of Chartered Accountants of India, as also member of the Committee on Risk Management Practices and risk Based Supervision formed by the India Banks Association. During her association with Oriental Bank of Commerce, she has provided leadership inputs in the direction of

improving work process, strengthening controls and in deriving benefits from Centralised Banking Technology. She has also handled prestigious assignment as Region of India Director on Board of Directors of 'The Institute of Internal Auditors' (IIA), Florida, USA for the term of two years from October 1995 to September 1997.

### 3) **Mr. Pranab Pattanayak - Independent Director**

Mr. Pattanayak has degree of M.A. in Economics and CAIIB Pt-1. He has rich and varied experience of 37 years in Banking & Fund Management field. He is a member of Rating Committee of Credit Analysis & Research Ltd. (CARE) and Consultant for SRB Consultancy (P) Ltd. Mr. Pattanayak was Managing Director of State Bank of Mysore during the period August 2006 to January 2009. He has held senior positions as Dy. Managing Director in State Bank of India and State Bank of Travancore and has headed various departments such as ranging from Credit, Forex, Treasury and IT. He has been involved in evaluating and financing large Projects, Commercial and Institutional credit and has also headed domestic and forex treasury and bank's investment portfolio. During his tenure at State Bank of India - Singapore, he has handled funding operations, forex settlements, trade finance, asset liability management and Regulatory Compliance.

### **(iii) The top ten group companies of the Portfolio Manager on turnover basis, as per the audited financial statements (FY 2016-2017) are as below:**

1. IIFL Holdings Limited
2. India Infoline Finance Limited
3. India Infoline Housing Finance Limited
4. India Infoline Limited
5. IIFL Wealth Management Limited
6. IIFL Facilities Services Limited
7. IIFL Private Wealth (Mauritius) Limited
8. IIFL Asset Management Limited
9. India Infoline Media and Research Services
10. India Infoline Insurance Brokers Limited

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

The Portfolio Manager broadly offers Discretionary, Non-Discretionary and Advisory services. The details of the services are given as below.

**A) Discretionary service:** In case of Discretionary Services, the Portfolio Manager shall independently manage the funds and securities of the client in accordance with the provisions of Portfolio Management service agreement. The choice as well as the timings of the investment decisions rest solely with the Portfolio Manager. The decisions made by Portfolio Manager for the Investment/Disinvestment shall be final and binding on the client. The Portfolio Manager's decision taken in good faith towards deployment of client's account can never be called in question or be open to review at any time during the currency of client's agreement.

#### **Notes:**

- Investment under Portfolio Management Services will be only as per the applicable SEBI Regulations;
- The un-invested amounts forming part of the Client's Assets may be at the discretion of the Portfolio Manager be held in cash or deployed in Liquid fund schemes, Exchange Traded Index Funds, debt oriented schemes of Mutual funds, Gilt schemes, Bank deposits and other short term avenues for Investment.
- The Portfolio Manager, with the consent of the Client, may lend the securities through an Approved Intermediary, for interest.
- All of the above strategies are based on client's investment objective(s) and should not be construed as any Scheme promoted by the Company.

**B) Non-Discretionary service:** Under Non-discretionary services, the Portfolio Manager advises the Client about the various investments options and exit opportunities keeping in view the investment profile of the client etc. The Client ultimately decides on the investments. The Portfolio Manager facilitates the clients in providing research, investments advice, guidance and trade execution at the client's request. The Portfolio Manager shall execute

orders only as per the instructions received from clients. The deployment of the client's funds and securities by the Portfolio Manager on the instructions of the client is absolute and final.

- C) Advisory service:** Apart from Discretionary and Non-Discretionary Portfolio Management Services, the Portfolio Manager also offers Advisory Portfolio Management Services wherein the Portfolio Manager only renders investment advice to the client in respect of securities. Discretion to execute the transactions and responsibility for execution /settlement of the transactions lies solely with the Client.

Under the Advisory function, Portfolio Manager advises on the client's portfolio with/without managing the funds/securities on specific or general instructions given by the client, as the case may be. Under the Advisory function, Portfolio Manager advises on Fund Management, Investment Management, Custody of Securities and other support services. Discretion to execute the transactions and responsibility for execution /settlement of the transactions lies solely with the Client.

Presently following portfolio strategies are being offered to the Investors.

Based on the Client's profile, overall investment objective and other relevant factors, the Portfolio of the Clients are at present managed under one or more of the following Investment Strategies:

- **Investment in Customized Discretionary Portfolios:**  
The Customized Discretionary portfolios are tailor-made to meet clients' specific objectives. The portfolios have client-specific investment objectives and risk control metrics. Investments may be made across equity and debt schemes and are customized to meet specific liquidity needs. The portfolio under discretionary services can be classified as Customized Equity Portfolio or Customized Debt Portfolio.
- **Investment in Real Estate Companies Portfolio :**  
The objective is to participate on behalf of the clients in debt instruments issued by companies into real estate. The aim is to achieve regular interest and/or capital appreciation by investing in debentures of financially sound unlisted/listed real estate companies or funds investing in the securities of real estate companies.
- **Lease Rent Discounting/ Pre-leased Rental Strategy:**  
Under this portfolio investment will be made in shares of unlisted companies on private placement basis. These Companies shall invest in the commercial properties which are already given on lease and earning rental income. Risk related to land acquisition and development risk are mitigated through this investment type since the asset is ready and income yielding. An increase in rentals and appreciation in value of property may positively impact the yield of the investment.
- **IIFL Multicap Portfolio:**  
The Portfolio Strategy and objective is to generate long term capital appreciation for investors from a portfolio of Large, Mid & Small cap stocks. The investment strategy of the Portfolio will be to invest in companies & sectors that are available at significant discount to their intrinsic value and provide earnings visibility. We look for companies with a Bottom-Up approach which includes Quality management, Strong business model, Consistent growth, Reasonable valuation, etc. The Portfolio will be taking a concentrated position in stocks and sectors and will endeavour to strategically change allocation between sectors depending on changes in the business cycle.
- **IIFL National Development Agenda Portfolio:**  
Investment objective of the Portfolio is to generate long term capital appreciation for investors from a portfolio of equity and equity related securities. The investment strategy of the Portfolio will be to invest in equity securities of sectors which would benefit from domestic growth story, manufacturing oriented sectors, banking & financial services (consumer oriented banks and NBFCs) and consumer discretionary sectors.
- **Long Term Value Portfolio:**  
Its philosophy is money is made by investing in the long term. The portfolio uses a focused, bottom up approach wherein not more than 15 – 20 stocks are selected. This is value oriented fund with capitalization in large cap funds. This Portfolio is suitable to Investors who like to invest with a Long-term wealth creation view with medium risk and medium returns.
- **Debt Portfolio:**  
This Portfolio primarily is a growth oriented Portfolio in debt which will focus on a Universe of available debt and debt investments. The investments would include Government Securities, RBI bonds, PSU bonds, Tax Free Bonds ,

Corporate Debentures, Bank Bonds, State Guaranteed bonds, money market instruments, commercial paper and Certificate of Deposits, liquid plus schemes and secured NCD's. This Portfolio is suitable to Investors who like to invest in the funds with low volatility and superior risk adjusted returns.

- **IIFL Large Cap Equity Portfolio:**

The Portfolio Strategy and objective is to generate long term capital appreciation for investors from a portfolio of Large cap stocks. The investment strategy of the Portfolio will be to invest in companies & sectors that are available at significant discount to their intrinsic value and provide earnings visibility. We look for companies with a Bottom-Up approach which includes Quality management, Strong business model, Consistent growth, Reasonable valuation, etc. The Portfolio will be taking a concentrated position in stocks and sectors and will endeavour to strategically change allocation between sectors depending on changes in the business cycle.

- **IIFL Emerging Star Portfolio:**

The Portfolio Strategy and objective is to generate long term capital appreciation for investors from a portfolio of Mid & Small cap stocks. The investment strategy of the Portfolio will be to invest in companies & sectors that are available at significant discount to their intrinsic value and provide earnings visibility. We look for companies with a Bottom-Up approach which includes Quality management, Strong business model, Consistent growth, Reasonable valuation, etc. The Portfolio will be taking a concentrated position in stocks and sectors and will endeavour to strategically change allocation between sectors depending on changes in the business cycle.

- **IIFL Focused Equity Strategies:**

The objective behind this fund strategy is to create a focused portfolio of select, high conviction stock ideas. The portfolio constructed will be based on in-depth research leading to bottom-up stock picking. Given this strategy, it is likely that over 2-3 years, these well researched stocks generate an alpha over the benchmark index.

## **Policy for Investment in Group/associate Companies**

The Portfolio Manager may utilize the services of the Sponsor, Group Companies and / or any other subsidiary or associate company of the Sponsor established or to be established at a later date, in case such a company is in a position to provide requisite services to the Portfolio Manager. The Portfolio Manager will conduct its business with the aforesaid companies (including their employees or relatives) on commercial terms and on arms length basis and at mutually agreed terms and conditions and to the extent permitted under SEBI Regulations after evaluation of the competitiveness of the pricing offered and the services to be provided by them.

The Portfolio Manager may invest in shares, units of mutual funds, alternative investment funds, debt, deposits and other financial instruments issued or managed by the portfolio manager or any of the group / associate companies of the Portfolio Manager to the extent permitted under the SEBI Regulations.

## **Type of Securities where investments may be made by the Portfolio Manager under any of the above mentioned Services**

- (i) shares, scrips, stocks, bonds, debentures, debentures stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;
- (ii) derivative(s);
- (iii) units or any other instrument issued by any collective investment scheme;
- (iv) security receipt as defined in clause (zg) of section 2 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
- (v) Government securities;
- (vi) units or any other such instrument issued to the investors under any scheme of mutual fund, alternative investment fund, venture capital fund;
- (vii) Any certificate or instrument (by whatever name called), issued to any investor by any issuer being a special purposes distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity,

and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case may be;

(viii) such other instruments as may be declared by the Central Government to be securities;

(ix) Rights or interest in securities;

The above mentioned securities are illustrative in nature. Investments can be made in various equity and equity related securities including convertible/non-convertible and/or cumulative/non-cumulative preference shares, convertible and/or cumulative/non-cumulative debentures, bonds and warrants carrying the right to obtain equity shares, units of mutual funds, units of alternative investment funds, ETFs and other eligible modes of investment as may permitted by the Regulations from time to time. The Portfolio Manager may from time to time invest the idle cash balance in units of Liquid Schemes of Mutual Funds. Investments can be made in listed, unlisted, convertible, non-convertible, secured, unsecured, rated or unrated or of any maturity, and acquired through secondary market purchases, RBI auctions, open market sales conducted by RBI etc., Initial Public Offers (IPOs), other public offers, bilateral offers, placements, rights, offers, negotiated deals, etc. The debt category will include all types of debt securities including but not limited to Securitised Debt, Pass Through Certificates, Debentures (fixed, floating, Variable Coupon, and equity index /stocks /stocks basket linked), Bonds, Government securities issued or guaranteed by Central or State Government, non-convertible part of partially convertible securities, corporate debt of both public and private sector undertakings, securities issued by banks (both public and private sector) and development financial institutions, bank fixed deposits, commercial papers, certificate of deposit, trade bills, treasury bills and other money market instruments, units of mutual funds, units of SEBI registered alternative investment funds & Venture Capital Funds, floating rate debt securities and fixed income derivatives like interest rate swaps, forward rate agreements etc. as may be permitted by the Act, Rules and/or Regulations, guidelines and notifications in force from time to time.

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

**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 Regulations made there under	Nil
ii.	The nature of the penalty/direction.	N.A.
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 or any regulatory agency 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 Regulations	Refer Annexure A

No penalties / directions have been issued by the SEBI under the SEBI Act or Regulations made there against the Company. There are no pending material litigations or legal proceedings, findings of inspections or investigations for which action has been taken or initiated by any regulatory authority against the Portfolio Manager or its Directors, principal officers or employees or any person directly or indirectly connected with the Portfolio Manager under the SEBI Act and Regulations made there under relating to Portfolio Management Services.

The associated/ group companies of IIFL AMC are engaged in providing various financial services including Stock Broking, Depository Business, NBFC etc. In the normal course of its Broking and Depository business there arise arbitration matters/ client / Exchange proceedings before respective Exchange / Depository / Forums, most of which get rectified / disposed-off in the normal course.



## **5. Details of Services offered by the Portfolio Manager:**

The Portfolio Manager broadly offers Discretionary portfolio management, Non-Discretionary portfolio management and Advisory services as described hereinabove in clause 3 (iv).

Under Discretionary and Non-Discretionary service, the Portfolio-Manager may invest in various portfolios with different terms and conditions from time to time. Discretionary and Non-discretionary services are being offered under various strategies with various terms and conditions.

## **6. Risk Factors:**

- (a) Investments in securities are subject to market risks, which include price fluctuation risks. There is no assurance or guarantee that the objectives of any of the Portfolios will be achieved. The investments may not be suited to all categories of Investors.
- (b) The past performance of the Portfolio Manager in any Portfolio is not indicative of the future performance in the same or in any other Portfolio either existing or that may be offered. Investors are not being offered any guaranteed or indicative returns through these services.
- (c) The performance of the portfolio may be affected by changes in Government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems in equity and debt markets.
- (d) The performance in the equity portfolios may be adversely affected by the performance of individual companies, changes in the market place and industry specific and macro-economic factors.
- (e) The performance of the assets of the Client may be adversely affected by the performance of individual securities, changes in the market place and industry specific and macro-economic factors. The investment strategies are given different names for convenience purpose and the names of the Strategies do not in any manner indicate their prospects or returns.
- (f) The debt investments and other fixed income securities may be subject to interest rate risk, liquidity risk, credit risk, and reinvestment risk. Liquidity in these investments may be affected by trading volumes, settlement periods and transfer procedures.
- (g) Investments in niche sectors run the risk of volatility, high valuation, obsolescence and low liquidity.
- (h) The Portfolio Manager may invest in non-publicly offered debt securities and unlisted equities. This may expose the client's portfolio to liquidity risks.
- (i) Engaging in securities lending is subject to risks related to fluctuations in collateral value/settlement/liquidity/counter party.
- (j) Portfolio services using derivative/ futures and options are affected by risk different from those associated with stock and bonds. Such investments are highly leveraged instruments and their use requires a high degree of skill, diligence and expertise. Small price movements in the underlying security may have a large impact on the value of derivatives and futures and options. Some of the risks relate to mis-pricing on the improper valuation of derivatives and futures and options and the inability to correlate the positions with underlying assets, rates and indices. Also, the derivatives and future and options market is nascent in India.
- (k) The Portfolio Manager is not responsible or liable for any loss resulting from the operations of the Portfolio Services. All Portfolios under portfolio management are subject to change at any time at the discretion of the Portfolio Manager.
- (l) Investment decisions made by the Portfolio Manager may not always be profitable.
- (m) Investments made by the Portfolio Manager are subject to risks arising from the investment objective, investment strategy and asset allocation.
- (n) The arrangement of pooling of funds from various clients and investing them in Securities could be construed as an 'Association of Persons' (AOP) in India under the provisions of the Income-tax Act, 1961 and taxed accordingly.

- (o) In case of investments in schemes of Mutual Funds/Alternative Investment Funds & Venture Capital Funds, the Client shall bear the recurring expenses and performance fee, if any, of the Portfolio Management Services in addition to the expenses of the underlying schemes. Hence, the Client may receive lower pre-tax returns compared to what he may receive had he invested directly in the underlying schemes in the same proportions.
- (p) After accepting the corpus for management, the Portfolio Manager may not get an opportunity to deploy the same or there may be delay in deployment. In such situation the Clients may suffer opportunity loss.
- (q) The investment objectives of one or more of the investment profiles could result in concentration of a specific asset/asset class/sector/issuer etc., which could expose the clients assets to risks arising out of non-diversification, including improper and/or undesired concentration of investment risks.

## Specific Risk Factors

The investments, presently recommended by the Portfolio Manager are subject to following risk factors:

- **Market Risk**

The Net Asset of the portfolio will react to the securities market movements. The investor could lose money over short periods due to fluctuation in the NAV of Portfolio in response to factors such as economic and political developments, changes in interest rates and perceived trends in securities market movements and over longer periods during market downturns.

- **Market Trading Risks**

Absence of Prior Active Market: Although securities are listed on the Exchange(s), there can be no assurance that an active secondary market will develop or be maintained.

Lack of Market Liquidity:

Trading in securities on the exchange(s) may be halted because of market conditions or for reasons that in the view of the exchange Authorities or SEBI, trading in particular security is not advisable. In addition, trading in securities is subject to trading halts caused by extra ordinary market volatility and pursuant to Exchange and SEBI 'circuit filter' rules. There can be no assurance that the requirements of the Market necessary to maintain the listing of securities will continue to be met or will remain unchanged.

ETF may Trade at Prices other than NAV:

ETF may trade above or below their NAV. The NAV or ETF will fluctuate with changes in the market value of Scheme's holdings of the underlying stocks. The trading prices of ETF will fluctuate in accordance with changes in their NAVs as well as market supply and demand of ETF. However, given that ETF can be created and redeemed only in Creation Units directly with the Mutual Fund, it is expected that large discounts or premiums to the NAVs of ETFs will not sustain due to availability of arbitrage possibility.

- **Regulatory Risk**

Any changes in trading regulations by the Exchange(s) or SEBI may affect the ability of marker maker to arbitrage resulting into wider premium/ discount to NAV for ETFs. Because of halt of trading in market the Portfolio may not be able to achieve the stated objective.

- **Asset Class Risk**

The returns from the types of securities in which a portfolio manager invest may underperform returns from the various general securities markets or different asset classes. Different types of securities tend to go through cycles of outperformance and underperformance in comparison of the general securities markets.

- **Performance Risk**

Frequent rebalancing of Portfolio will result in higher brokerage/ transaction cost. Also as the allocation to other securities can vary from 0% to 100%, there can be vast difference between the performance of the investments and returns generated by underlying securities.

- **Interest Rate Risk**

Changes in interest rates may affect the returns/ NAV of the liquid/debt scheme of Mutual Fund in which the portfolio manager may invest from time to time. Normally the NAV of the liquid scheme increases with the

fall in the interest rate and vice versa. Interest rate movement in the debt market can be volatile leading to the possibility of movements up or down in the NAV of the units of the liquid/ debt funds.

- **Credit Risk**

Credit risk refers to the risk that an issuer of fixed income security may default or may be unable to make timely payments of principal and interest. NAV of units of the liquid scheme is also affected because of the perceived level of credit risk as well as actual event of default.

- **Model Risk**

Investments in the Market Linked Debentures (MLDs) are also subject to model risk. The MLDs are created on the basis of complex mathematical models involving multiple derivative exposures which may or may not be hedged and the actual behavior of the securities selected for hedging may significantly differ from the returns predicted by the mathematical models.

- **Investments in Derivative Instruments**

As and when investments are made in derivative instruments, there are risk factors and issues concerning the use of derivatives that the investors should understand. Derivative products are specialized instrument that require investment technique and risk analysis different from those associated with stocks. The use of derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivative requires the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price. There is a possibility that loss may be sustained by the Portfolio as a result of the failure of another party (usually referred as the "Counter party") to comply with the terms of the derivative contract. Other risks in using derivatives include but are not limited to:

(a) **Credit Risk** - this occurs when a counterparty defaults on a transaction before settlement and therefore it involves negotiation with another counter party, at the then prevailing (possibly unfavourable) market price, in order to maintain the validity of the hedge. For exchange traded derivatives, the risk is mitigated as the exchange provides the guaranteed settlement but one takes the performance risk on the exchange.

(b) **Market Liquidity risk** where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices.

(c) **Model Risk** is the risk of mis-pricing or improper valuation of derivatives.

(d) **Basis Risk** arises when the instrument used as a hedge does not match the movement in the instrument/underlying asset being hedged. The risks may be inter-related also; for e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets. The risk of loss associated with futures contracts is potentially unlimited due to the low margin deposits required and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a derivative contract may result in an immediate and substantial loss or gain. However, the Portfolio Manager will not use derivative instruments, options or swap agreements for speculative purposes or to leverage its net assets and will comply with applicable SEBI Regulations. There may be a cost attached to buying derivative instrument. Further there could be an element of settlement risk, which could be different from the risk in settling physical shares. The possible lack of a liquid secondary market for a derivatives contract may result in inability to close the derivatives positions prior to their maturity date.

- **Illiquidity Risk**

The corporate debt market is relatively illiquid vis-a-vis the government securities market. There could therefore be difficulties in exiting from corporate bonds in times of uncertainties. Further, liquidity may occur only in specific lot sizes. Liquidity in a security can therefore suffer. Even though the Government securities market is more liquid compared to that of other debt instruments, on occasions, there could be difficulties in transacting in the market due to extreme volatility or unusual constriction in market volumes or on occasions when an unusually large transaction has to be put through. Trading in specified debt securities on the Exchange may be halted because of market conditions or for reasons that in the view of the Exchange Authorities or SEBI, trading in the specified debt security is not advisable. There can be no assurance that the requirements of the securities market necessary to maintain the listing of specified debt security will continue to be met or will remain unchanged. In such a situation, the portfolio manager at his sole discretion will return the securities to the Client.

- **Zero Return Risk**

Returns on investments undertaken in structured securities would depend on occurrence /nonoccurrence of the specified event. Thus, returns may or may not accrue to an investor depending on the occurrence/non-occurrence of the specified event.

- **Redemption Risk**

The payoffs as envisaged in structured securities are such that the Client may lose a part/entire amount invested.

- **Risk of Real Estate investment**

Investment in securities of companies investing in real estate is subject to risk of fluctuations in real estate prices. Portfolio returns are dependent on real estate market. Investor could lose money if real estate prices go down at the time of maturity.

**Risk Factors associated with investments in Liquid Funds:**

The Portfolio Manager may, from time to time, invest any un-deployed funds in liquid schemes of Mutual Funds. Though the portfolio of liquid funds comprises of short-term deposits, government securities and money market instruments, they cannot be considered as totally risk free. This is because liquidity patterns and short term interest rates of the government change, sometimes on a daily basis, thereby making the fund susceptible. Liquid fund returns are not guaranteed and it entirely depends on market movements.

**Specific Risk factors & Disclosures pertinent to Structured Notes & Securitised debt instruments**

- a. Presently, secondary market for such securitised papers is not very liquid. There is no assurance that a deep secondary market will develop for such securities. This could limit the ability of the investments to resell them. Even if a secondary market develops and sales were to take place, these secondary transactions may be at a discount to the initial issue price due to changes in the interest rate structure.
- b. Securitised transactions are normally backed by pool of receivables and credit enhancement as stipulated by the rating agency, which differ from issue to issue. The Credit Enhancement stipulated represents a limited loss cover to the Investors. These Certificates represent an undivided beneficial interest in the underlying receivables and there is no obligation of either the Issuer or the Seller or the originator, or the parent or any affiliate of the Seller, Issuer and Originator. No financial recourse is available to the Certificate Holders against the Investors' Representative. Delinquencies and credit losses may cause depletion of the amount available under the Credit Enhancement and thereby the Investor Payouts may get affected if the amount available in the Credit Enhancement facility is not enough to cover the shortfall. On persistent default of an Obligor to repay his obligation, the Seller may repossess and sell the underlying Asset. However many factors may affect, delay or prevent the repossession of such Asset or the length of time required to realize the sale proceeds on such sales. In addition, the price at which such Asset may be sold may be lower than the amount due from that Obligor.
- c. The Structured Notes like the Index linked securities, in which funds are proposed to be invested in, are high risk instruments. A small movement in returns generated by the underlying index could have a large impact on their value and may also result in a loss.
- d. The Issuer of equity index linked securities or any of its Agents, from time to time may have long or short positions or make markets including in NIFTY indices, futures and options (hereinafter referred to as "Reference Assets") (and other similar assets), they may act as an underwriter or distributor of similar instruments, the returns on which or performance of which, may be at variance with or asymmetrical to those on the securities, and they may engage in other public and private financial transactions (including the purchase of privately placed investments or securities or other assets). The foregoing activities of "The Issuer of index linked securities" or any of its Agents and related markets (such as the foreign exchange market) may affect the value of the securities. In particular, the value of the securities could be adversely impacted by a movement in the Reference Assets, or activities in related markets, including by any acts or inactions of "The Issuer of index linked securities" or any of its Agents;
- e. The equity Index linked securities, even after being listed, may not be marketable or may not have a market at all;
- f. The returns on the Structured securities, primarily are linked to the S&P CNX Nifty Index and/or any other equity benchmark as the Reference Asset, and even otherwise, may be lower than prevalent market interest rates or even be nil or negative depending entirely on the movement in the underlying index and futures values as also that over the life of the securities (including the amount if any, payable on maturity, redemption, sale or disposition of the securities) the security holder may receive no income/return at all or negative income/return on the security, or less income/return than the security-holder may have expected, or obtained by investing elsewhere or in similar investments.
- g. The return on investment in securities would depend on the prevailing market conditions, both domestically as well as internationally. The returns mentioned in the term sheets are indicative and may or may not accrue to an investor accordingly.
- h. In equity index linked securities, in the event of any discretions to be exercised, in relation to method and manner of any of the computations including due to any disruptions in any of the financial markets or if for any other reason,

the calculations cannot be made as per the method and manner originally stipulated or referred to or implied, such alternative methods or approach shall be used as deemed fit by the issuer and may include the use of estimates and approximations. All such computations shall be valid and binding on the investor, and no liability there for will attach to the issuer of equity index linked securities / AMC;

- i. There is a risk of receiving lower than expected or negligible returns or returns lower than the initial investment amount in respect of such equity index linked securities over the life and/or part thereof or upon maturity, of the securities.
- j. At any time during the life of such securities, the value of the securities may be substantially less than its redemption value. Further, the price of the securities may go down in case the credit rating of the Company or issuer goes down.
- k. The securities and the return and/or maturity proceeds hereon, are not guaranteed or insured in any manner by the Issuer of equity index linked securities.
- l. The Issuer of equity index linked securities or any person acting on behalf of the Issuer of equity index linked securities, may have an interest/position as regards the Portfolio Manager and/or may have an existing banking relationship, financial, advisory or other relationship with them and/or may be in negotiation/discussion with them as to transactions of any kind.
- m. The Issuer of equity index linked securities or any of its Agents, have the legal ability to invest in the units offered herein and such investment does not contravene any provision of any law, regulation or contractual restriction or obligation or undertaking binding on or affecting the investor, and/or its assets.

## 7. Client Representation:

### (i) Details of clientele and funds managed

As on September 30, 2017

(Rupees in Crore)

Category of clients	No. of Accounts	Funds managed (Rs. Crores) In Discretionary Services	Funds managed (Rs. Crores) In Non-Discretionary Services
Associates/group companies	0	0	0
<b>Others</b>			
Individual	307	530.5530	0
Corporate	103	509.3882	40.8770
<b>Total</b>	<b>410</b>	<b>1039.9412</b>	<b>40.8770</b>

As on March 31, 2017

(Rupees in Crore)

Category of clients	No. of Accounts	Funds managed (Rs. Crores) In Discretionary Services	Funds managed (Rs. Crores) In Non-Discretionary Services
Associates/group companies	0	0	0
<b>Others</b>			
Individual	301	605.88	0.6220
Corporate	122	591.09	37.8980
<b>Total</b>	<b>423</b>	<b>1196.97</b>	<b>38.52</b>

As on September 30, 2016

(Rupees in Crore)

Category of clients	No. of Accounts	Funds managed (Rs. Crores) In Discretionary Services	Funds managed (Rs. Crores) In Non-Discretionary Services
Associates/group companies	0	0	0
<b>Others</b>			
Individual	256	1131.4537	18.3325
Corporate	116	538.7731	66.6809
<b>Total</b>	<b>372</b>	<b>1670.2268</b>	<b>85.0134</b>

As on March 31, 2016

(Rupees in Crore)

Category of clients	No. of Accounts	Funds managed (Rs. Crore) In Discretionary Services	Funds managed (Rs. Crore) In Non-Discretionary Services
Associates/group companies	0	0	0
<b>Others</b>			
Individuals	243	614.8149	18.8907
Corporate	112	482.7706	<b>126.4836</b>
<b>Total</b>	<b>355</b>	<b>1,097.5855</b>	<b>145.3743</b>

As on September 30, 2015

(Rupees in Crores)

Category of clients	No. of Accounts	Funds managed (Rs. Crores) In Discretionary Services	Funds managed (Rs. Crores) In Non-Discretionary Services
Associates/group companies	0	0	0
<b>Others</b>			
Individual	210	534.9191	40.1076
Corporate	99	641.8249	142.8336
<b>Total</b>	<b>309</b>	<b>1176.7440</b>	<b>199.3758</b>

As on March 31, 2015

(Rupees in Crores)

Category of clients	No. of Accounts	Funds managed (Rs. Crores) In Discretionary Services	Funds managed (Rs. Crores) In Non-Discretionary Services
Associates/group companies	0	0	0
<b>Others</b>			
Individual	5	7.5181	0
Corporate	2	16.7663	0
<b>Total</b>	<b>7</b>	<b>24.2844</b>	<b>0</b>

(ii) Disclosure in respect of transactions with related parties pertaining by the Portfolio Manager as per audited Balance sheet as on March 31, 2017

**(a) Related parties and their Relationship:**

Nature of relationship	Name of party
(a) <b>Ultimate Holding Company</b>	IIFL Holdings Limited (Formerly India Infoline Limited)
(b) <b>Holding Company</b>	IIFL Wealth Management Limited
<b>Fellow Subsidiaries</b>	IIFL Distribution Services Limited (Formerly IIFL Distribution Services Private Limited) IIFL Alternate Asset Advisors Limited IIFL Investment Adviser and Trustee Services Limited (Formerly IIFL Trustee Services Limited) IIFL Trustee Limited India Alternatives Advisors Private Limited IIFL Wealth Finance Limited (Formerly known as Chephis Capital Markets Limited) IIFL (Asia) Pte Limited IIFL Inc. IIFL Private Wealth Management (Dubai) Limited IIFL Private Wealth (Mauritius) Limited IIFL Private Wealth (Suisse) SAIIFL Private Wealth Hong Kong Limited IIFL Securities Pte Limited IIFL Capital Pte Limited

Nature of relationship	Name of party
<b>Group Companies</b>	India Infoline Limited
	India Infoline Commodities Limited
	India Infoline Finance Limited
	India Infoline Media and Research Services Limited
	India Infoline Housing Finance Limited
	India Infoline Commodities DMCC
	India Infoline Insurance Brokers Limited
	India Infoline Insurance Services Limited
	IIFL Realty Limited
	IIFL Capital Limited
	IIFL Wealth (UK) Limited
	IIFL Capital Inc.
	India Infoline Foundation
	IIFL Properties Private Limited
IIFL Asset Reconstruction Limited	

Nature of relationship	Name of party
<b>Key Managerial Personnel</b>	Mr. Prashasta Seth – Whole Time Director
<b>Other related Parties</b>	Mr. Karan Bhagat
	Mr. Yatin Shah
	Mr. Amit Shah
	Mrs. Kajal Seth
	Mrs. Shilpa Bhagat
	Mrs. Ami Shah
	Mrs. Dhara Shah
	Probability Sports LLP
	Naykia Realty Private Limited
	Kyrush Investments
Yatin Investment	

**(b) Significant Transactions with Related Parties as per Balance Sheet dated March 31, 2017:**

(Amount in Rs.)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Group Companies	Key Managerial person	Total
<b>ICD GIVEN</b>					
IIFL Wealth Management Limited	2,545,000,000	-	-	-	2,545,000,000
	(7,500,000)	-	-	-	(7,500,000)
IIFL Alternate Asset Advisors Limited	-	1,000,000	-	-	1,000,000
	-	(610,300,000)	-	-	(610,300,000)
IIFL Investment Adviser & Trustee Services Ltd	-	-	-	-	-
	-	(36,665,000)	-	-	(36,665,000)
IIFL Wealth Finance Limited	-	1,175,000,000	-	-	1,175,000,000
	-	-	-	-	-
IIFL Distribution Services Limited	-	2,000,000	-	-	2,000,000
	-	-	-	-	-
India Alternatives Investments Advisors Private Limited	-	30,900,000	-	-	30,900,000
	-	(109,200,000)	-	-	(109,200,000)
<b>ICD RECEIVED BACK</b>					
IIFL Wealth Management Limited	2,545,000,000	-	-	-	2,545,000,000
	(341,704,000)	-	-	-	(341,704,000)
IIFL Alternate Asset Advisors Limited	-	611,300,000	-	-	611,300,000
	-	-	-	-	-
IIFL Investment Adviser & Trustee Services Ltd	-	-	-	-	-
	-	(36,665,000)	-	-	(36,665,000)
IIFL Wealth Finance Limited	-	1,175,000,000	-	-	1,175,000,000
	-	-	-	-	-
IIFL Distribution Services Limited	-	2,000,000	-	-	2,000,000
	-	-	-	-	-
India Alternatives Investments Advisors Private Limited	-	56,600,000	-	-	56,600,000
	-	(67,500,000)	-	-	(67,500,000)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Group Companies	Key Managerial person	Total
<b>ICD TAKEN</b>					
	-	4,200,000	-	-	4,200,000
IIFL Alternate Asset Advisors Limited	-	-	-	-	-
	457,116,307	-	-	-	457,116,307
IIFL Wealth Management Limited	-	-	-	-	-
IIFL Investment Adviser & Trustee Services Ltd	-	12,450,000	-	-	12,450,000
	-	-	-	-	-
IIFL Wealth Finance Limited	-	6,890,000,000	-	-	6,890,000,000
	-	-	-	-	-
<b>ICD REPAID</b>					
	-	4,200,000	-	-	4,200,000
IIFL Alternate Asset Advisors Limited	-	-	-	-	-
	457,116,307	-	-	-	457,116,307
IIFL Wealth Management Limited	-	-	-	-	-
IIFL Investment Adviser & Trustee Services Ltd	-	12,450,000	-	-	12,450,000
	-	-	-	-	-
IIFL Wealth Finance Limited	-	6,890,000,000	-	-	6,890,000,000
	-	-	-	-	-
<b>RENT EXPENSES</b>					
	-	-	14,039,364	-	14,039,364
IIFL Facilities Services Limited	-	-	(4,679,788)	-	(4,679,788)
<b>BROKERAGE &amp; COMMISSION EXPENSES</b>					
	-	-	468,408	-	468,408
India Infoline Limited	-	-	(35,615)	-	(35,615)
	-	-	-	-	-
IIFL Wealth Management Limited	(120)	-	-	-	(120)
<b>ARRANGER FEES EXPENSES</b>					
	143,566,342	-	-	-	143,566,342
IIFL Wealth Management Limited	(61,238,861)	-	-	-	(61,238,861)
<b>RESEARCH EXPENSES</b>					
	-	-	-	-	-
IIFL Facilities Services Limited	-	-	(20,773,993)	-	(20,773,993)
<b>MANPOWER OUTSOURCE EXPENSES</b>					
	-	33,619,332	-	-	33,619,332
IIFL Distributions Services Limited	-	(13,784,049)	-	-	(13,784,049)
<b>SALE OF INVESTMENTS</b>					
	-	-	-	-	-
IIFL Wealth Management Limited	(75,000)	-	-	-	(75,000)
<b>INTEREST EXPENSES</b>					
	3,994,896	-	-	-	3,994,896
IIFL Wealth Management Limited	-	-	-	-	-
	-	7,652	-	-	7,652
IIFL Alternate Asset advisors Limited	-	-	-	-	-
IIFL Investment Adviser & Trustee Services Ltd	-	8,967	-	-	8,967
	-	-	-	-	-
IIFL Wealth Finance Limited	-	22,893,890	-	-	22,893,890
	-	-	-	-	-
<b>REMUNERATION TO DIRECTOR</b>					
	-	-	-	5,997,141	5,997,141
Prashasta Seth	-	-	-	-	-
<b>CORPORATE SOCIAL RESPONSIBILITY (CSR)</b>					
	-	-	3,027,200	-	3,027,200
India Infoline Foundation Limited	-	-	-	-	-
<b>INTEREST INCOME</b>					
	10,032,213	-	-	-	10,032,213
IIFL Wealth Management Limited	(8,201,323)	-	-	-	(8,201,323)
	-	16,558,466	-	-	16,558,466
IIFL Alternate Asset advisors Limited	-	(52,731,200)	-	-	(52,731,200)
	-	2,603	-	-	2,603
IIFL Distribution Services Limited	-	-	-	-	-
	-	2,705,685	-	-	2,705,685
IIFL Wealth Finance Limited	-	-	-	-	-
IIFL Investment Adviser & Trustee Services Ltd	-	(1,170,797)	-	-	(1,170,797)
	-	6,046,846	-	-	6,046,846
India Alternatives Investment Advisors Private Limited	-	(2,445,486)	-	-	(2,445,486)
<b>INCOME ON COMMERCIAL PAPER</b>					
IIFL Facilities Services Limited	-	-	-	-	-



Nature of Transaction	Holding Company	Fellow Subsidiaries	Group Companies	Key Managerial person	Total
	-	-	(1,084,724)	-	(1,084,724)
<b>OTHER FUNDS RECEIVED</b>					
India Infoline Limited	-	-	291,167	-	291,167
	-	-	(1,122,715)	-	(1,122,715)
IIFL Wealth Management Limited	1,586,967	-	-	-	1,586,967
	-	-	-	-	-
IIFL Facilities Services Limited	-	-	10,935	-	10,935
	-	-	(3,734,654)	-	(3,734,654)
<b>OTHER FUNDS PAID</b>					
IIFL Wealth Management Limited	403,988	-	-	-	403,988
	(1,750,623)	-	-	-	(1,750,623)
IIFL Facilities Services Limited	-	-	(2,018,467)	-	(2,018,467)
	-	-	2,062	-	2,062
India Infoline Limited	-	-	(494,292)	-	(494,292)
IIFL Investment Adviser & Trustee Services Ltd	-	10,720	-	-	10,720
	-	-	-	-	-
<b>ALLOCATION / REIMBURSEMENT OF EXPENSES PAID</b>					
IIFL Wealth Management Limited	31,277,959	-	-	-	31,277,959
	(36,288,134)	-	-	-	(36,288,134)
India Infoline Limited	-	-	2,089,331	-	2,089,331
	-	-	(1,237,174)	-	(1,237,174)
IIFL Distribution Services Limited	-	504,023	-	-	504,023
	-	(256,942)	-	-	(256,942)
India Infoline Commodities Limited	-	-	29,760	-	29,760
	-	-	-	-	-

**(h) Amount due to / from related parties (Closing Balances):**

(Amount in Rs.)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Group Companies	Total
<b>Sundry receivables</b>				
	-	-	10,936	10,936
IIFL Facilities Services Limited	-	-	-	-
<b>ICD Given:</b>				
	-	-	-	-
IIFL Alternate Asset Advisors Limited	-	(610,300,000)	-	(610,300,000)
India Alternatives Investments Advisors Private Limited	-	16,000,000	-	16,000,000
	-	(41,700,000)	-	(41,700,000)
<b>Sundry payables</b>				
	47,702,472	-	-	47,702,472
IIFL Wealth Management Limited	-	-	-	-
	-	5,036,601	-	5,036,601
IIFL Distribution Services Limited	-	-	-	-

**Note:**

- I) Figures in bracket represent previous year figures.
- II) Related parties are identified and certified by the management.

**8. FINANCIAL PERFORMANCE OF PORTFOLIO MANAGER BASED ON AUDITED STATEMENT FOR THE YEAR ENDED MARCH 31, 2017:**

**Financial Highlight of IIFL Asset Management Limited.**

Particulars	Amt (Rs. in Lakh)
Revenue from Operations	6900.57
Profit before tax	2174.36
Less: Tax Expenses	685.86
<b>Profit/(Loss) after tax</b>	<b>1488.50</b>

## 9. Portfolio Management Performance:

Portfolio Management Services commenced in the month of December 2014. Please find below the Portfolio Performance for the period December 2014 to September 2017:

Portfolio Name	Particulars	April 2017 to September 2017		April 2016 to March 2017		April 2015 to March 2016		December 2014 to March 2015	
		Individual	Corporate	Individual	Corporate	Individual	Corporate	Individual	Corporate
IIFL Multicap PMS	Portfolio	14.21%	13.83%	30.00%	29.76%	1.66%	-6.25%	19.22%	21.48%
	NIFTY	12.81%	14.28%	22.51%	19.33%	-7.75%	-9.38%	4.17%	5.43%
IIFL Pre-Leased/Rental Strategy	Portfolio	-0.10%	-0.01%	5.62%	0.00%	0.21%	0.05%	4.77%	NA
	S-IBEX	7.16%	7.16%	8.38%	8.38%	9.05%	9.04%	5.91%	NA
IIFL Real Estate PMS 1	Portfolio	17.51%	17.26%	17.39%	17.27%	16.47%	16.81%	NA	NA
	S-IBEX	6.85%	6.83%	8.49%	8.48%	9.24%	9.29%	NA	NA
Customized Discretionary Portfolio	Portfolio	5.35%	10.33%	14.95%	17.42%	-1.69%	4.61%	NA	NA
	NIFTY	17.31%	14.36%	19.32%	20.05%	-9.60%	-5.25%	NA	NA
IIFL National Development Agenda Portfolio	Portfolio	26.83%	17.62%	28.49%	29.48%	-6.70%	-9.57%	NA	NA
	NIFTY	13.89%	13.91%	19.05%	19.02%	-7.51%	-7.68%	NA	NA
Long Term Value Portfolio	Portfolio	-	-	17.70%	-	-12.15%	-	NA	NA
	NIFTY	-	-	19.13%	-	-9.49%	-	NA	NA
Customised Large Cap Equity	Portfolio	12.86%	-	23.94%	-	-8.35%	-	NA	NA
	NIFTY	13.92%	-	19.11%	-	-14.40%	-	NA	NA
IIFL Emerging Star Portfolio	Portfolio	25.10%	10.52%	37.42%	22.11%	-	-	NA	NA
	NIFTY	13.91%	13.20%	47.63%	10.28%	-	-	NA	NA
IIFL Focused Equity Portfolio - Series I	Portfolio	30.68%	58.56%	-	-10.62%				
	Nifty	10.13%	-92.70%		57.20%				
IIFL FOCUSED EQUITY STRATEGY - SERIES I	Portfolio	-0.10%	-	-	-	-	-	-	-
	NIFTY	-0.10%	-	-	-	-	-	-	-

\*Performance calculated based on XIRR method.

**Non-Discretionary Services** - In the non-discretionary services, the final decision of investment rests with the client. The clients determine which securities to invest into as well as the asset allocation within the overall investment amount under the PMS. The performance of the Portfolio Managers does not depend merely on the Portfolio Manager but also on the decision by the client in this regard. Considering the nature of services, the performance record of the Portfolio Manager has not been computed.

## 10. NATURE OF COSTS AND EXPENSES FOR CLIENTS:

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

- Management Fees:** Professional charges relate to the Portfolio management services offered to clients. The fee may be a fixed charge or a percentage of the quantum of funds managed and may be return based or a combination of any of these. Return based fees shall be calculated on "High Water Mark Principle".
- Custodian/Depository Fees:** The charges relating to opening and operation of dematerialized accounts, custody and transfer charges for shares, bonds and units, dematerialization, rematerialisation and other charges in connection with the operation and management of the depository accounts.

- c. **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.
- d. **Brokerage and transaction costs:** The brokerage charges and other 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.
- e. **Certification and professional charges:** Charges payable for out sourced professional services like accounting, taxation and legal services, notarizations etc. for certifications, attestations required by bankers or regulatory authorities.
- f. **Incidental Expenses:** Charges in connection with the courier expenses, stamp duty, service tax, depository charges, postal, telegraphic, opening and operation of bank accounts etc.
- g. **Other charges:** As may be mutually agreed between client and Portfolio Manager.

**Manner of payment:**

Client shall pay by way of cheque/ DD/ Debit to the client portfolio account, as per the respective fee schedule applicable to the portfolio services opted by the client.

## 11. Taxation:

### Income Tax

#### 1. General

In view of the individual nature of tax consequences, each Client is advised to consult his or her tax advisor with respect to the specific tax consequences arising to him/her from participation in any of the investments. The tax implications given below are based on the existing provisions of the Income tax Act, 1961 (“the IT Act”) and rules made thereunder. The Portfolio Manager accepts no responsibility for any loss suffered by any Investor as a result of current taxation law and practice or any changes thereto.

#### 2. Tax Rates:

The rates specified in this section pertain to the financial year 2017-18 as amended by the Finance Act, 2017. The rates are exclusive of surcharge and education cess, if any, as leviable.

##### 2.1. Tax rates for specific type of assessees are as below:

Assessee	% of Income Tax
Individuals, Hindu Undivided Family ('HUF'), Association of Persons ('AOP'), Body of Individuals ('BOI')	Applicable slab rates
Domestic company having turnover/gross receipt not exceeding Rs. 50 crore in financial year ('FY') 2015-16	25%
Partnership Firm [including Limited Liability Partnership ('LLP')] and Domestic Company having turnover/gross receipt exceeding Rs. 50 crore in FY 2015-16	30%
Foreign Company	40%

2.2. The slab rates for individuals / HUF / AOP / BOI are as follows:

Total Income	Tax rates (c)
Up to Rs. 2,50,000 (a) (b) (d)	Nil
From Rs. 2,50,001 to Rs. 5,00,000	5%
From Rs. 5,00,001 to Rs. 10,00,000	20%
Rs. 10,00,001 and above	30%

- In the case of a resident individual of the age of 60 years or more but less than 80 years, the basic exemption limit is Rs. 3,00,000.
- In the case of a resident individual of the age of 80 years or more, the basic exemption limit is Rs. 5,00,000.
- Surcharge on income-tax, as applicable and education cess is applicable at the rate of 2% on income-tax and secondary and higher education cess at the rate of 1% on income-tax.
- Rebate of upto Rs. 2,500 is available for resident individuals whose total income does not exceed Rs. 3,50,000.

2.3. Surcharge and education cess rates are provided below.

Type of Investor	Surcharge* rate as a % of income-tax			
	If income is less than Rs. 50 lakhs	If income exceeds Rs. 50 lakhs but less than Rs. 1 crores	If income exceeds Rs. 1 crore but less than Rs. 10 crores	If income exceeds Rs. 10 crores
Resident Individual, HUF, AOP	Nil	10%	15%	15%
Partnership Firm	Nil	Nil	12%	12%
Domestic Company	Nil	Nil	7%	12%
Foreign Company	Nil	Nil	2%	5%
Foreign non-corporate	Nil	Nil	12%	12%

\*Additionally, education cess, at the rate of 2% and higher and secondary education cess, at the rate of 1% is leviable on the income tax and surcharge as computed above.

### 3. Tax deduction at source

If any tax is required to be withheld on account of any present or future legislation, the Portfolio Manager will be obliged to act in accordance with the regulatory requirements in this regard.

### 4. Advance tax instalment obligations

It will be the responsibility of the Client to meet the advance tax obligation instalments payable on the due dates prescribed under the IT Act.

### 5. Tax implications for the Investors:

The following are the various income streams that can arise from securities held under the PMS –

- Dividend income on shares;

- Income distributed by Mutual Funds;
- Interest income on debt securities; and
- Gains on sale of securities

## 5.1. Dividend income on shares

Dividend on shares (referred to in section 115-O of the IT Act) continue to be exempt under the IT Act in the hands of the investors. However, as per section 115BBDA of the IT Act, in case of any resident assessee other than specified assessee (defined below), if the dividend income (from a domestic company) exceeds Rs. 10 lakhs, then such dividend income will be taxable at 10% (plus applicable surcharge and education cess) on gross basis.

As per Explanation (b) to section 115BBDA of the IT Act, 'specified assessee' means a person other than-

- I. a domestic company; or
- II. a fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10; or
- III. a trust or institution registered under section 12A or section 12AA.

Further, as per section 14A of the IT Act, the expenses incurred in relation to earning exempt income should not be allowed as deduction.

The Investee Companies would be liable to pay Dividend Distribution Tax ('DDT') on the dividend declared, distributed or paid at the rate of 15% (plus applicable surcharge and education cess) on a grossed-up basis.

## 5.2. Income distributed by Mutual Funds.

Income distributed by Mutual Funds (referred to in section 115R of the IT Act) continue to be exempt under the IT Act in the hands of the investors. However, the mutual fund (other than equity oriented) would be liable to pay tax on income distributed as follows:

- at the rate of 25% (plus surcharge at the rate of 12 percent and education cess at the rate of 3 percent) on income distributed to individuals and Hindu Undivided Family ('HUFs'); and
- at the rate of 30% (plus surcharge at the rate of 12 percent and education cess at the rate of 3 percent) on income distributed to persons other than individuals and HUFs.

As per section 115R(2A) of the IT Act, additional income-tax on the income distributed to unit-holders should be levied on the amount of income to be distributed including such additional tax (i.e. grossing-up), as against levy on only the amount of income to be distributed. This may result in a higher effective tax rate.

## 5.3. Interest income on debt securities

Interest income arising on securities could be characterised as ‘Income from Other Sources’ or ‘business income’ depending on facts of the case. In either case, interest income should be subject to tax as per the rates mentioned in para 2.1 above.

Any expenses incurred to earn such interest income should be available as deduction, subject to the provisions of the IT Act.

#### 5.4. Gains on sale of securities

Income arising from the purchase and sale of securities can give rise to either capital gains or business income in the hands of the investor. The issue of characterisation of income is relevant as the income tax computation and rates differ in the two situations.

The characterisation is essentially a question of fact and depends on whether the shares are held as business/trading assets or as capital assets.

The CBDT has issued a circular<sup>1</sup> which deals with listed shares/ securities which states that:

- Where the assessee opts to treat the listed shares/ securities as stock-in-trade, the income arising from the transfer of such listed shares/ securities would be treated as business income.
- If the assessee desires to treat the gains arising from transfer of listed shares/ securities held for a period of more than 12 months as capital gains, the same shall not be put to dispute by the Assessing Officer.

The aforementioned circular shall not apply in a case where the genuineness of the transaction itself is questionable.

The CBDT has issued a letter<sup>2</sup> on characterisation of income from transfer of unlisted shares. As per the letter, income arising from transfer of unlisted shares would be taxable under the head ‘Capital Gains’, irrespective of the period of holding. However, it would not be necessarily applied in the situations where:

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

Investors may also refer to Central Board of Direct taxes (‘CBDT’) instruction no. 1827 dated 31 August, 1989 read with CBDT Circular no. 4 dated 15 June, 2007 for further guidance on this matter.

---

<sup>1</sup> Circular no. 6/ 2016 dated February 29, 2016

<sup>2</sup> Letter F.No.225/12/2016/ITA.II dated May 2, 2016

## 5.4.1. Gains characterised as capital gains

The IT Act provides for a specific mechanism for computation of capital gains. Capital gains are computed by deducting from the sale consideration, the cost of acquisition and certain other expenses. The tax payable on capital gains would depend on whether the capital gains are long-term or short-term in nature.

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

Type of Instrument	Period of holding	Characterization
Listed Securities (other than Units) and units of equity oriented Mutual Funds	More than twelve (12) months	Long-term Capital Asset
	Twelve (12) months or less	Short-term Capital Asset
Unlisted shares of a company	More than twenty four (24) months	Long-term Capital Asset
	Twenty four (24) or less	Short-term Capital Asset
Other securities	More than thirty six (36) months	Long-term Capital Asset
	Thirty six (36) months or less	Short-term Capital Asset

### (i) Gains arising on sale of listed equity shares or units of equity oriented fund

Under the IT Act, capital gains arising on sale of listed equity shares on the stock exchange or units of equity oriented fund should be taxable as follows, provided the sale is subject to securities transaction tax ('STT'):

- Long-term capital gains – Exempt\*
- Short-term capital gains – 15% (plus applicable surcharge and education cess)

*\* The exemption from long term capital gains tax on listed equity shares should not be available with respect to shares acquired on or after 1 October 2004 and not chargeable to STT (other than cases as notified by the Central Government).*

Normally, the sale of equity shares on the stock exchange is subject to Securities Transaction Tax ('STT') at 0.1% of transaction value.

### (ii) Gains arising on sale of other listed securities (other than debentures)

Capital gains arising on sale of other listed securities (other than debentures) should be taxable as below:

- Long-term capital gains –
  - Resident investors - 10% (without indexation) or 20% (with indexation), plus applicable surcharge and education cess
  - Non-resident investors – 10% plus applicable surcharge and education cess
- Short-term capital gains – 30% (resident investors and other than foreign companies) / 40% (foreign companies), plus applicable surcharge and education cess

### (iii) Gains arising on sale of listed debentures

Capital gains arising on sale of listed debentures should be taxable as below:

- Long-term capital gains – 10% (plus applicable surcharge and education cess)
- Short-term capital gains – 30% (resident investors and other than foreign companies) / 40% (foreign companies), plus applicable surcharge and education cess

(iv) Gains arising on sale of other securities (unlisted securities)

The gains arising on the sale of other securities of the portfolio companies should be subject to tax at the following rates:

- Long-term capital gains –
  - Resident Investors - 20% (plus applicable surcharge and education cess). Indexation benefit is available to resident investors in case of unlisted equity shares and preference shares.
  - Non-resident – 10% (plus applicable surcharge and education cess) No indexation benefits available
- Short-term capital gains – 30% (resident investors and other than foreign companies) / 40% (foreign companies), plus applicable surcharge and education cess

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

#### 5.4.2. Gains are characterised as ‘Business income’

If the gains are characterised as Business Income then the same should be taxable on net income basis @ 30% (plus applicable surcharge and education cess) for resident investors and at 40% (plus applicable surcharge and education cess) for foreign company if it has a Permanent Establishment in India.

## 6. Other tax considerations

### 6.1. Foreign Portfolio Investors (‘FPI’)

As per section 2(14) of the IT Act, any investment in securities made by FPIs in accordance with the regulations made under the Securities and Exchange Board of India is treated as a capital asset. Consequently, any income arising from transfer of securities by FPIs are to be treated as capital gains.

Long-term capital gains arising on the transfer of equity shares on recognised stock exchange or units of an equity oriented fund on which STT is paid are exempt from tax under section 10(38) of the IT Act, subject to payment of STT on the purchase of such shares.

Under section 115AD of the IT Act, long-term capital gains (other than those exempt as above) arising from transfer of securities shall be taxable at the rate of 10% (plus the applicable surcharge and cess as mentioned above). Such capital gains would be computed without taking into consideration the effect of indexation and foreign currency conversion.



As per section 196D of the IT Act, no deduction of tax shall be made from any income by way of capital gains arising from the transfer of securities referred to in section 115AD, payable to a FPI.

Under section 115AD of the IT Act, interest income received by FPIs should be taxable at 20% plus applicable surcharge and education cess. However, interest referred to in section 194LD of the IT Act should be taxable at 5% plus applicable surcharge and education cess, subject to fulfilment of conditions.

## 6.2. Non-resident investors:

Non-residents [including Foreign Portfolio Investors ('FPI')] are entitled to be governed by the applicable Double Tax Avoidance Agreement ('DTAA'), which India has entered into with the country of residence of the non-resident, if it is more beneficial than the provisions of the Act. This would have to be considered on a case-to-case basis depending upon the relevant DTAA.

According to section 90(4) of the IT Act, a non-resident shall not be entitled to claim treaty benefits, unless it obtains a Tax Residency Certificate ('TRC') of being a resident of his home country. Furthermore, as per section 90(5) of the IT Act, a non-resident is also required to provide such other documents and information, as prescribed by CBDT, as applicable.

## 6.3. Securities Transaction Tax ('STT'):

STT is applicable on various transactions executed on stock exchanges as follows:

- (a) 0.10% on the purchase of equity shares in a company on a recognised stock exchange in India where the contract for purchase is settled by the actual delivery or transfer of shares;
- (b) 0.10% on the sale of equity shares in a company on a recognised stock exchange in India where the contract for sale is settled by the actual delivery or transfer of shares;
- (c) 0.001% on the sale of units of equity oriented funds on a recognised stock exchange in India where the contract for sale is settled by the actual delivery or transfer of units
- (d) 0.025% on the sale of equity shares in a company or units of equity oriented funds on a recognised stock exchange in India where the contract for sale is settled otherwise than by the actual delivery or transfer of shares or unit;
- (e) 0.01% on the sale of futures in securities;
- (f) 0.017% on the sale of options in securities;
- (g) 0.125% on the purchase of options in securities, where options are exercised;
- (h) 0.001% on the sale of units of equity oriented fund to the Mutual Fund.
- (i) 0.2% on sale of unlisted equity shares under an offer for sale

## 6.4. Receipt of any property at a value below fair market value

If any person receives any property from any person at a value less than the fair market value (as specifically defined for this purpose) of such property, then the difference should be chargeable to tax as Income from other sources.

## 6.5. General Anti Avoidance Rules ('GAAR'):

GAAR may be invoked by the Indian income-tax authorities in case arrangements are found to be impermissible avoidance arrangements. A transaction can be declared as an impermissible avoidance arrangement, if the main purpose of the arrangement is to obtain a tax benefit and which satisfies one of the 4 (Four) below mentioned tainted elements:

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

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

- Disregarding or combining or recharacterising any step in, or a part or whole of the arrangement;
- Ignoring the arrangement for the purpose of taxation law;
- Relocating place of residence of a party, or location of a transaction or situs of an asset to a place other than provided in the arrangement;
- Looking through the arrangement by disregarding any corporate structure; or
- Recharacterising equity into debt, capital into revenue, etc.

The provisions of GAAR are applicable from financial year 2017-2018.

## **12. Accounting Policy / Valuations:**

The following Accounting policy will be applied for the portfolio investments of clients:

- (a) Investments in listed equity and debt instruments will be valued at the closing market prices on the National Stock Exchange ("**NSE**"). If the Securities are not traded on the NSE on the valuation day, the closing price of the Security on the Bombay Stock Exchange will be used for valuation of Securities. In case of the securities that are not traded on the valuation date, the last available traded price shall be used for the valuation of securities. Investments in units of mutual funds shall be valued at the repurchase price of the previous day or at the last available repurchase price declared for the relevant Scheme on the date of the report.
- (b) Unlisted Securities/investments will be valued at cost till the same are priced at Fair Market Value. Such fair value may be determined by an agency appointed by the Portfolio Manager, on periodic basis (once in a year).
- (c) Realised gains/losses will be calculated by applying the First In First Out principle.
- (d) Unrealized gains/losses are the differences, between the current market value/Net Asset Value and the historical cost of the Securities.
- (e) Dividends on shares will be accounted on ex-dividend date and dividends on units in mutual funds will be accounted on receipt of information from the mutual fund house and interest, stock lending fees earned etc., will be accounted on accrual basis. The interest on debt instruments will be accounted on accrual basis.
- (f) In respect of all interest-bearing investments, income must 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 will not be treated as a cost of purchase but will be debited to Interest

- (g) For derivatives and futures and options, unrealized gains and losses is calculated by marking to market the open positions.
- (h) Similarly, interest received at the time of sale for the period from the last interest due date upto the date of sale will not be treated as an addition to sale value but will be credited to Interest Recoverable Account.
- (i) Transactions for purchase or sale of investments will 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 are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction should be recorded, in the event of a purchase, as of the date on which there is enforceable obligation to pay the price or, in the event of a sale, when there is an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
- (j) Bonus shares will be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, rights entitlements will be recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.
- (k) The cost of investments acquired or purchased will include brokerage, stamp charges and any charge customarily included in the broker's bought note. In respect of privately placed debt instruments any front-end discount offered will be reduced from the cost of the investment.
- (l) The Portfolio Manager and the Client can adopt any specific norms or methodology for valuation of investments or accounting the same as may be mutually agreed between them on a case to case basis.
- (m) Purchases are accounted at the cost of acquisition inclusive of brokerage, stamp duty, transaction charges and entry loads in case of units of mutual fund. Sales are accounted based on proceeds net of brokerage, stamp duty, transaction charges and exit loads in case of units of mutual fund. Securities Transaction Tax, Demat charges and Custodian fees on purchase/ sale transaction would be accounted as expense on receipt of bills. Transaction fees on unsettled trades are accounted for as and when debited by the Custodian.
- (n) In case of Portfolio received from the Clients in the form of securities will be accounted at previous day's closing price on NSE. Where the Client withdraws Portfolio in the form of securities, the same will be accounted on the date of withdrawal at the previous closing price. In case any of the securities are not listed on NSE or they are not traded on NSE on a particular day, previous day's closing price on BSE will be used for aforesaid accounting purpose.
- (o) Investments in the Managed accounts (Alternate investment funds and Venture Capital funds) will be valued at last available Net asset value declared by issuer.

The Investor may contact the customer services official of the Portfolio Manager for the purpose of clarifying or elaborating on any of the above policy issues.

The Portfolio Manager may change the valuation policy for any particular type of security consequent to any regulatory changes or the market practice followed for similar type of securities

## **13. Investor Services:**

### **a. Contact Information**

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

Name: Ms. Gitika Mahadik

Email: [investordesk@iiflw.com](mailto:investordesk@iiflw.com)

Address: IIFL Asset management Limited., 6th Floor, IIFL Centre, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013, India,

Tel: +91 22 3958 5600

The official mentioned above will ensure prompt Investor services. The Portfolio Manager will ensure that this official is vested with the necessary authority, independence and the wherewithal to handle Investor complaints.

You may register your grievances/complaints on SEBI Complaints Redress System (<http://scores.gov.in/>)

**b. Grievance Redressal and dispute settlement mechanism**

The Portfolio Manager has in place a dedicated system for addressing all complaints regarding service deficiencies or causes for grievance, for whatever reason, in a reasonable manner and time. If the Investor remains dissatisfied with the remedies offered or the stand taken by the Portfolio Manager, the Investor and the Portfolio Manager shall abide by the following mechanisms.

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

**14. ADDITIONAL DISCLOSURES:**

IIFL AMC may avail/s the below mentioned services from India Infoline Group for consideration, under normal course of business;

With respect to services offered by IIFL AMC under the portfolio management services or securities recommended, advised or acquired under PMS or in respect of services of any intermediary recommended by IIFL AMC, the Client may note the following;

- (a) IIFL AMC and its group, associate and subsidiary companies are engaged in providing various financial services and for the said services (including the service for acquiring and sourcing the securities acquired/advised under PMS) the said companies may charge fees or remuneration in form of arranger fees, distribution fees, referral fees, advisory fees, management fees, trustee fees, commission, brokerage, transaction charges, underwriting charges, issue management fees and other fees.
- (b) IIFL AMC acts as an Investment Manager to associate companies and Trustee to Scheme(s) of Mutual Fund, Alternative Investment Funds and Venture Capital Fund (in which Portfolio Manager may invest) and accordingly earn management and trustee fees, for the same.
- (c) PMS trades may be done through India Infoline Limited or authorized group companies. Trades may be also done through IIFLW as Authorised Person of India Infoline Limited (IIL) for stock broking business and for the same IIFLW may receive commission from IIL.
- (d) Apart from above, investment may be made in securities of associates & group companies, investment transaction may be done with IIFL AMC, its associates and group companies as counterparties and IIFL AMC including its subsidiaries and associates may receive various forms of remuneration linked to the PMS or Advisory services offered to the Client.

The transactions with IIFL AMC, associates or group companies will be done at arm's length and under normal course of investment transactions;

**General:**

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

**Signatures:**

**For IIFL Asset Management Limited**

<b>Name of Signatories</b>	<b>Signature</b>
Homai Daruwalla Chairman	Sd/-
Pranab Pattanayak Director	Sd/-
Kavita Khatri Compliance Officer	Sd/-

Date: October 27, 2017

Place: Mumbai

## FORM C

### SECURITIES AND EXCHANGE BOARD OF INDIA (PORTFOLIO MANAGERS) REGULATIONS, 1993 (Regulation 14)

Dear Investor,

We confirm that:

- I. The Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 1993 and the guidelines and directives issued by the Board from time to time;
- II. The disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us / investment in the Portfolio Management Services;
- III. The Disclosure Document has been duly certified by Mr. Milind Ranade a partner of BSR & Co. LLP, an independent chartered accountant, having office at 5th Floor, Lodha Excelus, Apollo Mills Compound, N.M Joshi Marg, Mahalaxmi Mumbai- 400 011. Enclosed is a copy of the chartered accountants' 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.

The copy of the Chartered Accountant's certificate is enclosed.

For **IIFL Asset Management Limited**

Sd/-

**Prashasta Seth**  
**Principal Officer**

Email: [Prashasta@iiflw.com](mailto:Prashasta@iiflw.com)

Phone No: (+91-22) 43411816

Date: October 27, 2017

Place: Mumbai

**DETAILS OF ENQUIRY / ADJUDICATION / PROSECUTION OR ANY OTHER ACTION AGAINST  
THE GROUP COMPANIES/ ITS ASSOCIATES OR ANY OF ITS DIRECTORS**

**1. INDIA INFOLINE LIMITED:**

**a) PAST AND COMPLETED –**

**Fully Exonerated/Proceedings dropped by Regulators/Orders fully complied with**

Sr. No.	Particulars	Regulatory Authority	Subject Matter/Allegations	Orders/Findings	Corrective Measures implemented/Present Status
1	SEBI Enquiry Notice in 2001	SEBI	Client dealings in the scrip of Cyberspace Infosys Limited during the year 2000 & 2001.	As per Enquiry Officer report, IIFL was totally exonerated from all charges.	Exonerated
2	SEBI adjudication proceedings notice dated September 08, 2008 under Depository Act.	SEBI	Allegations of non-compliance of provisions of SEBI (DP) Regulations and Depositories Act.	Preferred consent proceedings. Consent Order passed by SEBI on June 05, 2009 and the proceedings were dropped by SEBI.	Clarified on factual inaccuracies. No further clarification was required by SEBI – Proceedings dropped
3	SEBI adjudication Notice dated November 28, 2008	SEBI	Clients dealing in GHCL Shares. Allegations of violation of provisions of SEBI (Prohibition of Fraudulent & Unfair Trade Practices relating to securities Market) Regulations, 2003.	All charges against IIFL were rejected vide SEBI Order dated June 15, 2009	Proceedings dropped
4	SEBI adjudication Notice dated August 27, 2009	SEBI	Allegations of non-compliance of provisions of SEBI (Stock Broker & Sub broker) Regulations, 1992	Preferred consent proceedings. Consent Order was passed by SEBI on May 18, 2010 and the proceedings were dropped by SEBI.	Submitted the compliance and corrective measures to SEBI vide letter dated November 27, 2009. Proceedings dropped.
5	SEBI adjudication Notice dated November 27, 2009	SEBI	Clients dealing in GHCL Shares. Allegations of violation of provisions of SEBI (Prohibition of Fraudulent & Unfair Trade Practices relating to securities Market) Regulations, 2003.	Reply submitted to SEBI. SEBI vide Order dated April 03, 2012 and dropped the proceedings.	Stopped Trading with GHCL group of clients. Proceedings dropped.
6.	SEBI Adjudication proceedings notice dated January 03, 2011.	SEBI	Asian Star Co. Ltd. - Allegation of violation of Regulation 7 Clause A(1) & A(2) of Code of Conduct for Stock Brokers.	SEBI had issued Order no: BM/AO – 7/2012 dated January 12, 2012. We had filed an Appeal against the said Order before SAT. SAT vide its order dated October 1, 2012 has upheld the order of adjudicating officer of SEBI imposing a penalty of Rs. 5 lacs against IIFL. IIFL has accepted the Order and the said penalty was paid.	Order fully complied with.
7	SEBI Enquiry Notice dated April 27, 2010.	SEBI	Allegations of violation of provisions of SEBI (Stock Broker & Sub broker) Regulations, 1992	SEBI had issued Order no: MIRSD1/ASM/BS/11344/2013 –dated May 13, 2013. Pursuant to our detailed replies and submissions during personal hearings, SEBI noted that the alleged deficiencies / violations have already been rectified by us and	Proceedings concluded.

Sr. No.	Particulars	Regulatory Authority	Subject Matter/Allegations	Orders/Findings	Corrective Measures implemented/Present Status
				concluded with the Enquiry officers recommendations and warned us to be careful & cautious in future. With the above order, the pending matter was concluded.	

**a) REGULATORS ORDERS FOR COMPLIANCE – Fully Complied:**

Sr. No.	Particulars	Regulatory Authority	Subject Matter/Allegations	Orders/Findings	Corrective Measures implemented/ Present Status
1	SEBI Order dated September 28, 2005 and June 16, 2006 in the matter of IFSL	SEBI	No violation against IIFL was observed. However advised not to deal for 3 clients pending investigation.	No Show Cause Notice received from SEBI.	As per SEBI advice trading for these clients was stopped with immediate effect and complied.
2	SEBI Order dated October 5, 2005 and June 20, 2006 in the matter of M/s Ind Tra Deco Ltd	SEBI	No violation against IIFL was observed. However advised not to deal in the scrip and pending investigation.	No Show Cause Notice received from SEBI.	As per SEBI advice trading in the scrip was stopped w.e.f. 6/10/2005 and complied.
3	SEBI Order dated March 21, 2006 in the matter of Shri. Lalit Dua.	SEBI	Lalit Dua was an independent research analyst, whose reports were published in our website. SEBI has advised not to publish any reports of Shri Lalit Dua and pending investigation.	No Show Cause Notice received from SEBI.	As per SEBI advice stopped publishing reports with immediate effect i.e. 22/3/06 and complied.
4	SEBI letter dated July 13, 2010	SEBI	Parabolic Drugs Limited wherein SEBI advised us to gear up at our back office system and ensure efficient control to minimize PAN mismatches while making data entry in IPO biddings in future.	No Show Cause Notice received from SEBI.	We ensured compliance to avoid recurrence of such mismatches and the same was confirmed to SEBI vide our replies dated July 30, 2010 and August 27, 2010.
5	SEBI letter dated June 18, 2008	SEBI	Osian LPG Bottling Limited wherein SEBI had advised us to be careful and to ensure that the shares are sold/purchased by the client or credited to respective client's account directly instead of through our Beneficiary account.	No Show Cause Notice received from SEBI.	Complied with the same and rectified our system and confirmed to SEBI vide letter dated July 25, 2008.
6	SEBI letter dated February 09, 2011	SEBI	Pertaining to non-bidding of applications in Coal India Ltd. IPO, SEBI advised us not to act as syndicate member in IPO till resolution of such matters and further advise.	Resolution status submitted to SEBI and SEBI had withdrawn their restrictions vide its letter dated March 11, 2011.	As per SEBI advice, we had resolved the issues and confirmed to SEBI.
7	Administrative warning dated December 20, 2012	SEBI	SEBI inspection was carried out in 2011. SEBI recommended improvement in system and rectification of deficiencies found during Inspection.	No Show Cause Notice received from SEBI.	Complied with the same and rectified our system and confirmed to SEBI vide letters dated February 21 & 23, 2012 and March 03, 2012.
8	SEBI letter dated March 12, 2014	SEBI	India Infoline Finance Limited came out with a public issue of non convertible debentures vide prospectus dated September 05, 2013. India Infoline Limited (IIL) was acting as one of the merchant bankers to the said issue. In	SEBI communicated that it was not appropriate to allow the issuer company to	IIL has taken a note of SEBI's advice for its merchant banking activities.

Sr. No.	Particulars	Regulatory Authority	Subject Matter/Allegations	Orders/Findings	Corrective Measures implemented/ Present Status
			the draft prospectus, the credit rating of "AA-" from ICRA Limited was disclosed. Subsequent to filing of the draft prospectus, on the request of India Infoline Finance Limited, ICRA Limited agreed for the said rating to be used for private placement of NCDs by India Infoline Finance Limited.	request a credit rating agency to assign the rating issued for the public issue to be used for the subsequent issues and use better rating issued by other agencies for its public issue especially after the filing of the draft prospectus. SEBI advised IIL to be careful in future and not to allow such instances in future issues managed by IIL.	
9.	Enquiry Notice dated March 03, 2010	SEBI	Three Clients dealing in the shares of Pyramid Saimira Theatre Ltd. in 2009 involving three transactions totaling trading value of Rs.110660/- and brokerage of Rs. 553/- only. Allegations of violation of provisions of SEBI (Stock Brokers and Sub brokers) Regulations, 1992 in the clients dealing.	Securities and Exchange Board of India (hereinafter referred to as "SEBI") issued Show Cause Notice dated July 22, 2015 pursuant to the enquiry report in the matter of dealing by 3 clients in Pyramid Saimira Theatre Limited (PSTL).	We have strengthened our system for monitoring SEBI/Exchange orders on daily basis and freezing of accounts immediately. Dedicated person in back office & compliance have been appointed. The Whole Time Director passed order dated November 10, 2015 with warning Noticee (India Infoline Limited) to be more careful and cautious in the conduct of its business and to adhere to and comply with all the statutory provisions while carrying out its activities in the securities market.

## 2. INDIA INFOLINE FINANCE LIMITED (IIFL):

Sr. No.	Particulars	Government Allegations/ Regulatory Authority	Subject Matter/Allegations	Brief of Orders/ Findings	Present Status
1	Customer Complaints	Bangalore Police	The Matter relates to Sealing of Storage room containing 63 kgs of gold at Branch office in Bangalore based on Police Complaint filed by Mr. Sri Praveen against certain third parties. The Company filed Wirt petition against sealing of storage room. Meanwhile, the Police through their letter addressed to the company, permitted	No orders/findings	Auction completed under due process.



			<p>auction of Gold under due process. Auction complete after following due process.</p>		
2	Customer Complaints	Paschim Medinipur Police Station, West Bangal	<p>A private complaint was filed by Mr. Arunava Patra before the M. M Court at Paschim Medinipur, against IIL &amp; IIFL and its Directors.</p> <p>The complainant has alleged that he is a shareholder of IIFL Holdings Limited and as a share holder, he had requested for inspection of books and register of the Company. He has also alleged Forgery and Criminal Conspiracy in fabricating his account.</p> <p>A Quashing Petition filed by IIFL before the High Court, Kolkata seeking necessary directions against the process.</p>	Stay granted by the High Court.	Quashing Petition pending before the High Court.
3	Karnataka Money Lenders Act Case	The Registrar of Money Lenders, Bangalore Urban District, North Zone, Bangalore,	<p>The Registrar of Money Lenders, Bangalore, issued a notice to all the Assistant District Registrars, alleging violation of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004, by the Non-Banking Financial Companies in Karnatka.</p> <p>The Registrar of Money lenders made a surprise visit at IIFL premises and seized certain documents files and records and gold loan register etc., alleging that IIFL had not obtained the license under the Karnataka Moneylenders Act, 1961</p> <p>A Writ Petition was filed by IIFL before the High Court, Karnataka challenging the action of the authorities while also claiming that the Karnataka Money lenders Act is not applicable as the company is governed under RBI NBFC Regulations and is registered with RBI as NBFC and prayed for stay of the notices issued by the authorities.</p>	Stay granted by the High Court.	The Matter is pending before the High Court, Karnataka.
4	Gold loan customer, Mrs. Jeeva , filed a criminal complaint.	Judicial Magistrate Padamanabha puram	<p>Mrs. Jeeva filed a private complaint against IIFL alleging fraudulent auction of her jewels. Summons was issued against officials of IIFL Branch.</p> <p>Company filed for quashing of the proceedings before the High Court.</p>	The High Court has granted a stay	The Matter is pending before High Court

### 3. INDIA INFOLINE COMMODITIES LIMITED (IICL):

Sr. No.	Particulars	Regulatory Authority	Subject Matter/Allegations	Brief of Orders/Findings	Present Status
1.	<p>We being a member of NSEL our clients have outstanding with NSEL. Based on other NSEL member's client complaint at EOW – Mumbai, EOW is investing the matter. Economic Offences Wing of Mumbai Police arrested Mr. Chintan Modi, Vice President of India Infoline Commodities Limited in the matter of NSEL.</p>	FMC and EOW Mumbai	<p>Based on complaint of Mr. Pankaj Ramnaresh Saraf, aged 39 years at EOW at PS MRA Marg vide CR No. 216/13 U/S 120(B), 409, 465, 467, 468, 471, 474, 477 (A) of IPC on 30.09.2013. EOW took over the investigation of this case is renumbered as EOW CR no. 89/13. The Complaint alleged fraud against NSEL, FTIL, brokers and its Directors.</p>	<p>The proceedings in the matter are still under investigation and charge sheet note filed.</p>	<p>We have provided full co-operation to the investigation authorities along with all the requisite data/documents as requested by them from time to time. Further it may also be noted that Mr. Chintan Modi is been granted bail in this matter and the matter is in sub judice.</p>

## 4. INDIA INFOLINE INSURANCE BROKERS LIMITED (IIBL) - COMPLETED:

Sr. No.	Particulars	Regulatory Authority	Subject Matter/Allegations	Orders/Findings	Corrective Measures implemented/Present Status
1	Show Cause Notice dated July 02, 2013	IRDA	Observations of inspection on insurance broking business during the period November 2009 to March 2012.	Observations of non-compliance with the provisions of Insurance Brokers Regulations. Detailed Reply to the Notice on the compliances submitted to IRDA vide letter dated July 11, 2013. Proceedings pending	Observations were complied with/rectified/implemented. IRDA levied a penalty of Rs. 35 Lakhs and proceedings are completed. IIBL has paid the penalty and the matter is closed.

## 5. IIFL Asset Management Limited

S.No	Particulars	Regulatory Authority	Subject Matter/Allegations	Orders/Findings	Corrective Measures implemented/Present Status
1.	SEBI letter dated November 27, 2014	SEBI	Inspection of Registrar and Share Transfer Agent for India Infoline Asset Management Company Limited	Advised to take due care and strengthen systems concerning certain errors / deficiencies / violations noticed in R&T activities	Necessary steps have been taken to avoid recurrence of said errors and systems have been strengthened.
2	SEBI letter dated February 25, 2015	SEBI	Inspection of books of accounts and other records of IIFL Private Equity Fund	Advised for proper KYC maintenance and disclosures in PPM.	The system has been strengthened and necessary disclosures have been made to investors
3	SEBI letter dated November 26, 2015	SEBI	Inspection of IIFL Mutual Fund for the period Feb 01, 2013 to March 31, 2014	Advised to take due care and strengthen systems concerning certain errors / deficiencies / violations noticed activities	Necessary steps have been taken to avoid recurrence of said errors and systems have been strengthened.
4.	SEBI letter dated October 19, 2016	SEBI	Inspection of books of accounts and other records of IIFL Opportunities Fund	Advised for complying with the investment cap in an individual investee company as per the regulations.	Necessary steps have been taken to strengthen the systems.

## 6. IIFL Wealth Management Limited

Sr. No.	Particulars	Regulatory Authority	Subject Matter/Allegations	Orders/Findings	Corrective Measures implemented/Present Status
1	SEBI letter dated March 01, 2016	SEBI	Inspection of books of accounts and other records of IIFL Wealth Management Limited under SEBI (Portfolio Managers) Regulations, 1993	Advised for ensuring compliance with the regulations.	Necessary steps have been taken to strengthen the systems.

# B S R & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus,  
Apollo Mills Compound  
N. M. Joshi Marg, Mahalaxmi  
Mumbai - 400 011  
India

Telephone +91 (22) 4345 5300  
Fax +91 (22) 4345 5399

## Private and confidential

The Board of Directors,  
IIFL Asset Management Limited,  
IIFL Centre, 6th Floor,  
Kamala Mill Compound, Senapati Bapat Marg,  
Lower Parel, Mumbai- 400013.

November 10, 2017

Dear Sirs,

## Certificate under clause 14(2)(c) of Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993

1. This certificate is issued in accordance with our engagement letter dated 10<sup>th</sup> November 2017.
2. We have been requested by management of IIFL Asset Management Limited ('the Company') to certify the contents of Disclosure Document dated October 27, 2017 for portfolio management services of the Company which is prepared by the Company in accordance with the Regulation 14(2) of Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 ('the SEBI Regulations'). We understand that the Disclosure Document is required to be submitted to the Securities and Exchange Board of India ("the SEBI").

## Management's responsibility

3. The management of the Company is responsible for the maintenance of the books of account and such other relevant records as prescribed by applicable laws, which includes collecting, collating and validating data and designing, implementing and monitoring of internal controls relevant for the preparation and presentation of Disclosure Document.
4. The Disclosure Document and compliance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 is the responsibility of the management of the Company.

## Auditor's responsibility

5. We have not performed an audit, the objective of which would be expression of an opinion on the financial statements, specified elements, accounts or items thereof, for the purpose of this certificate. Accordingly, we do not express such an opinion.
6. For the purpose of this certificate, we have planned and performed the following procedures to determine whether anything has come to our attention that causes us to believe that the aforementioned Disclosure Document is not in compliance with the SEBI Regulations.
  - a) The list of persons classified as group companies and list of related parties are relied upon as provided by the Company;
  - b) The Promoters and directors qualification, experience, ownership details are as confirmed by the directors and have been accepted without further verification;

- c) We have relied on the representations provided by the management of the Company about the penalties or litigations against the Portfolio Manager mentioned in the Disclosure Document;
- d) We have relied on the representations provided by the management of the Company regarding the value of assets under management.
- e) We have relied on the representations provided by the management of the Company w.r.t the investment objectives and policies / investment philosophy;
- f) We have reviewed nature of fees and expenses as per the agreements and representations provided by the Company; and
- g) We have verified the financial figures disclosed in the Disclosure Document with the audited financial statements for the respective years, relevant ledger accounts, relevant reports received from the Company's financial system and email communications from various departments of the Company.

#### **Conclusion**

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

Based on our review of attached Disclosure Document, audited annual accounts of the Portfolio Manager and its other group companies and its other relevant records and information furnished by the Portfolio Manager along with representation provided, we certify that the disclosures made in the attached Disclosure Document for Portfolio Management are true, fair and adequate to enable the investors to make a well informed decision.

8. This certificate is issued solely to comply with the clause 14(2) of Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 (as amended from time to time) and may not be suitable for any other purpose. Accordingly, our certificate should not be quoted or referred to in any other document or made available to any other person or persons without our prior written consent. Also, we neither accept nor assume any duty or liability for any other purpose or to any other party to whom our certificate is shown or into whose hands it may come without our prior written consent.

Yours faithfully

For **B S R & Co. LLP**

*Chartered Accountants*

Firm's Registration No: 101248W/W-100022



**Milind Ranade**

**Partner**

Membership No: 100564