

**DISCLOSURE DOCUMENT  
OF  
MOTILAL OSWAL CAPITAL LIMITED  
("MOCL")**

## **DISCLOSURE DOCUMENT**

### **(As per the requirement of Schedule V of Regulation 22 of Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020)**

- i) The Disclosure Document (hereinafter referred as “**The Document**” has been filed with the Securities & Exchange Board of India along with the certificate in the prescribed format in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020.
- ii) The purpose of the Document is to provide essential information about the Portfolio Management Services (PMS) in a manner to assist and enable the investors in making informed decision for engaging MOCL as a Portfolio Manager.
- iii) The Document contains the necessary information about the Portfolio Manager, required by an investor before investing, and hence, the investor may be advised to retain the document for future reference.
- iv) The name, phone number, e-mail address of the Principal Officer as designated by the Portfolio Manager are as follows:

#### **PORTFOLIO MANAGER-**

<b>Name of the Portfolio Manager</b>	Motilal Oswal Capital Limited ( <b>MOCL</b> )
<b>SEBI Registration Number</b>	INP00000776
<b>Registered Office Address</b>	Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai - 400025
<b>Phone</b>	+91-022-3089 4263
<b>Fax</b>	+91 22 3089 6884

#### **PRINCIPAL OFFICER**

<b>Name of the Principal Officer</b>	Mr. Vaibhav Agarwal
<b>Phone</b>	+91 22 7193 4919
<b>Email</b>	<a href="mailto:vaibhav@motilaloswal.com">vaibhav@motilaloswal.com</a>

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1) **Disclaimer clause:**

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

2) **Definitions:**

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) **“Application”** means the application made by the Client to the Portfolio Manager to place its funds and/or securities with the Portfolio Manager for Portfolio Management Services. Upon execution of the Agreement by the Portfolio Manager, the Application shall be deemed to form an integral part of the Agreement. Provided that in case of any conflict between the contents of the Application and the provisions of the Agreement, the provisions of the Agreement shall prevail.
- (d) **“Assets”** means (i) the Portfolio and/or (ii) the Funds.
- (e) **“Body Corporate”** shall have the meaning assigned to it in or under clause (11) of section 2 of the Companies Act, 2013.
- (f) **“Bank Account”** means one or more accounts opened, maintained and operated by the Portfolio Manager with any of the Scheduled Commercial Banks in accordance with the agreement entered into with the Client.
- (g) **“Board”** means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act, 1992.
- (h) **“Client”** means the person who enters into an Agreement with the Portfolio Manager for managing its portfolio and /or funds.
- (i) **“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.
- (j) **“Depository Account”** means one or more account or accounts opened, maintained and operated by the Portfolio Manager with any depository or depository participant registered under the SEBI (Depositories and Participants) Regulations, 1996 in accordance with the agreement entered into with the Client.
- (k) **“Direct on-boarding”** means an option provided to clients to be on-boarded directly with the Portfolio Manager without intermediation of persons engaged in distribution services.
- (l) **“Discretionary Portfolio Management Services”** means the portfolio management services rendered to the Client by the Portfolio Manager on the terms and conditions contained in the agreement, where under the Portfolio Manager exercises any degree of discretion in the investments or management of assets of the Client.

- (m) **“Discretionary Portfolio Manager”** means a Portfolio Manager who exercises or may, under a contract relating to portfolio management, exercise any degree of discretion as to the investments or management of the portfolio of securities or the funds of the Client, as the case may be.
- (n) **“Document”** means this Disclosure Document.
- (o) **“Financial Year”** means the year starting from April 1 and ending on March 31 of the following year.
- (p) **“Funds”** means the monies managed by the Portfolio Manager on behalf of the Client pursuant to Portfolio Investment Management Agreement and includes the monies mentioned in the Application, any further monies placed by the Client with the Portfolio Manager for being managed pursuant to Portfolio Investment Management Agreement, the proceeds of the sale or other realization of the Portfolio and interest, dividend or other monies arising from the Assets, so long as the same is managed by the Portfolio Manager.
- (q) **“Goods”** means the goods notified by the Central Government under clause (bc) of section 2 of the Securities Contracts (Regulation) Act, 1956 and forming the underlying of any commodity derivative;
- (r) **“Investment Approach”** provided by Portfolio Managers shall, inter-alia, include (i) investment objective (ii) description of types of securities e.g. equity or debt, listed or unlisted, convertible instruments, etc. (iii) basis of selection of such types of securities as part of the investment approach (iv) allocation of portfolio across types of securities (v) appropriate benchmark to compare performance and basis for choice of benchmark (vi) indicative tenure or investment horizon (vii) risks associated with the investment approach (viii) other salient features, if any.
- (s) **“Money Market Instruments”** includes Commercial Paper, Trade Bill, Treasury Bills, Certificate of Deposit and Usance Bills.
- (t) **“NISM”** The National Institute of Securities Market established by the Board.
- (u) **“Non-discretionary Portfolio Management Services”** means a portfolio management services under which the Portfolio Manager, subject to express prior instructions issued by the Client from time to time in writing, for an agreed fee structure and for a definite described period, invests in respect of the Client’s account in any type of security entirely at the Client’s risk and ensure that all benefits accrue to the Client’s Portfolio.
- (v) **“NRI”** A Non-Resident Indian or a person of Indian origin residing outside India.
- (w) **“Parties”** means the Portfolio Manager and the Client; and **“Party”** shall be construed accordingly.
- (x) **“Person”** includes an individual, a Hindu Undivided Family, a corporation, a partnership (whether limited or unlimited), a limited liability company, a body of individuals, an association, a proprietorship, a trust, an institutional investor and any other entity or organization whether incorporated or not, whether Indian or foreign, including a government or an agency or instrumentality thereof.
- (y) **“Portfolio”** means the Securities managed by the Portfolio Manager on behalf of the Client pursuant to the Portfolio Investment Management Agreement and includes any Securities and goods mentioned in the Application, any further Securities placed by the Client with the Portfolio Manager for being managed pursuant to the Portfolio Investment Management Agreement, Securities acquired by the Portfolio Manager through investment of Funds and bonus and rights shares or otherwise in respect of Securities forming part of the Portfolio, so long as the same is managed by the Portfolio Manager.

(z) **“Portfolio Manager”** shall have the same meaning as given in regulation 2(1)(o) of the SEBI (Portfolio Managers) Regulations, 2020 as amended from time to time.

(aa) **“Related Party”** shall mean

- i. a director, partner or his relative;
- ii. a key managerial personnel or his relative;
- iii. a firm, in which a director, partner, manager or his relative is a partner;
- iv. a private company in which a director, partner or manager or his relative is a member or director;
- v. a public company in which a director, partner or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
- vi. anybody corporate whose board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director, partner or manager;
- vii. any person on whose advice, directions or instructions a director, partner or manager is accustomed to act:  
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- viii. anybody corporate which is—
  - (A) a holding, subsidiary or an associate company of the portfolio manager; or
  - (B) a subsidiary of a holding company to which the portfolio manager is also a subsidiary;
  - (C) an investing company or the venturer of the portfolio manager;

Explanation. — For the purpose of this clause, “investing company or the venturer of a portfolio manager” means a body corporate whose investment in the portfolio manager would result in the portfolio manager becoming an associate of the body corporate.

- ix. a related party as defined under the applicable accounting standards;
- x. such other person as may be specified by the Board:  
Provided that,
  - (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
  - (b) any person or any entity, holding equity shares:
    - (i) of twenty per cent or more; or
    - (ii) of ten per cent or more, with effect from April 1, 2023; in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party;

(bb) **“Eligible Fund Manager”** shall have the same meaning as assigned to it in sub-section 4 of Section 9A of the Income Tax Act, 1961.

(cc) **“Eligible Investment Fund”** shall have the same meaning as assigned to it in sub-section 3 of Section 9A of the Income Tax Act, 1961.

(dd) **“Principal Officer”** means an employee of the portfolio manager who has been designated as such by the portfolio manager and is responsible for: -

- (i) the decisions made by the portfolio manager for the management or administration of portfolio of securities or the funds of the client, as the case may be; and

- (ii) all other operations of the portfolio manager.
- (ee) **“Qualified Client”** means any Person (being over the age of 18 in the case of a natural person) (i) who is a fit and proper person, (ii) complies with know your client (KYC/CKYC) norms stipulated by the Investment Manager and SEBI, (iii) has not been convicted of any offence, (iv) has a sound financial standing and credit-worthiness, and (v) is willing to execute necessary documentation as stipulated by the Portfolio Manager and other than any Person, which cannot subscribe to the strategy without being in breach of any law or requirement of any country or governmental authority in any jurisdiction whether on its own or in conjunction with any other relevant circumstances.
- (ff) **“Regulations”** means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, as may be amended from time to time.
- (gg) **“Scheduled Commercial Bank”** means any bank included in the second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934).
- (hh) **“SEBI”** means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the SEBI Act.
- (ii) **“Securities”** includes: “Securities” as defined under the Securities Contracts (Regulation) Act, 1956 as amended from time to time and includes:
- (i) Shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;
  - (ii) derivative;
  - (iii) units or any other instrument issued by any collective investment scheme to the investors in such schemes;
  - (iv) security receipt as defined in clause (zg) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
  - (v) units or any other such instrument issued to the investors under any mutual fund scheme;
  - (vi) any certificate or instrument (by whatever named called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt;
  - (vii) Government securities;
  - (viii) such other instruments as may be declared by the Central Government to be securities;
  - (ix) rights or interest in securities;

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:**

MOCL is a public limited company formed under the Companies Act, 2013 on September 19, 2016 having its Registered Office at Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi - 400025. MOCL is a wholly owned subsidiary of Motilal Oswal Asset Management Company Limited (MOAMC), a public limited company.

MOAMC undertakes the following activities and has also obtained NOC from SEBI for the same:

- a. MOAMC acts as an Investment Manager to the Schemes of Motilal Oswal Mutual Fund (MOMF) under SEBI (Mutual Funds) Regulations, 1996 bearing registration number MF/063/09/04.
- b. MOAMC is a registered Portfolio Manager under SEBI (Portfolio Managers) Regulations, 1993 (now SEBI (Portfolio Manager) Regulations, 2020) bearing registration number INP000000670 dated August 21, 2017.
- c. MOAMC acts as an Investment Manager to the Schemes of Motilal Oswal Alternative Investment Trust and Motilal Oswal Alternative Investment Trust - I is registered under SEBI (Alternative Investment Funds) Regulations, 2012 as Category III AIF bearing registration number IN/AIF3/13-14/0044 and IN/AIF3/19-20/0799 respectively.
- d. MOAMC has incorporated a wholly owned subsidiary in Mauritius, namely Motilal Oswal Asset Management (Mauritius) Private Limited, which acts as an Investment Manager to the funds based in Mauritius.
- e. MOAMC has incorporated a wholly owned subsidiary in India which currently undertakes Investment Advisory Services to offshore clients.
- f. MOCL acts as a Registered Investment Adviser (RIA) under Securities Exchange Commission, USA providing advisory services to offshore client pursuant to its Registration as Registered Investment Adviser under the Investment Company Act of 1940 dated June 30, 2017.

MOCL provides investment advisory services in a sub-advisory capacity to a privately placed pooled investment vehicle exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”) with effect from November 7, 2017.

**Promoters of the Portfolio Manager, Directors and their background:**

**Promoter:**

MOCL is promoted by MOAMC, a public limited company incorporated under the Companies Act, 1956 on November 14, 2008, having its Registered Office at 10<sup>th</sup> Floor, Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai - 400025. MOAMC acts as an Investment Manager to the Schemes of MOMF and Motilal Oswal Alternative Investment Trust and also acts as a Portfolio Manager to the Strategies of Portfolio Management Services.

**Directors and their background:**

<b>Name</b>	<b>Qualification</b>	<b>Brief Experience</b>
<b>Mr. Motilal Oswal Director</b>	B.Com and ACA	Mr. Motilal Oswal is the Managing Director and Chief Executive Officer of Motilal Oswal Financial Services Limited. He has varied experience of over 27 years in the financial service sector. He has served on the governing board of the Bombay Stock Exchange as a Director. He has also been member of the National Stock Exchange committee for F&O and a member of the Managing Committee of Indian Merchants' Chamber. He is also a Director on the Board of various Companies.
<b>Mr. Prateek Agrawal Director</b>	PGDM, Finance and Management from Xavier Institute of Management and Bachelor of Engineering (B.E.) in Electronics from NIT.	Mr. Prateek Agrawal has a long and distinguished experience in Asset Management Business, Investment Banking, Advisory Services and Sell Side Research for over 30 years. Prior to joining Motilal Oswal Asset Management Company Limited, he was associated with ASK Investment Managers Private Limited as Business Head and Chief Investment Officer wherein he has provided leadership to various departments. In his earlier role, he worked as Head of Equity with BNP Paribas Mutual Fund & SOI AXA Mutual Fund and Head of Research



		with SBI Capital Market. For both SOI Axa MF and BNP Paribas MF, he was part of the core start up team. His key strengths are equity money management, team building and conceptualising and establishing scalable processes that enable performance delivery with lean teams.
<b>Mr. Akhil Chaturvedi</b> <b>Director</b> <b>Chief Business Officer</b>	B.com (University of Mumbai); MBA (Marketing) and Master of Arts (Accounts and Finance) from University of Leeds, United Kingdom	Mr. Chaturvedi has more than 20 years of rich experience in sales, distribution, client advisory (Wealth management) and business development from companies such as Aditya Birla Sun Life AMC Ltd., Global Finance Ltd and Daiwa Asset Management Pvt. Ltd. His last assignment was with Daiwa Asset Management Pvt. Ltd. as Head-Retail Sales where he was responsible for sales, distribution and preparation of business plan and strategies for launch of Mutual Fund Schemes.

**i) Group company information (i.e. information related to top 10 Group Companies / firms of the Portfolio Manager on turnover basis) (as per the audited financial statements for the year ended March 2023):**

1. Motilal Oswal Financial Services Ltd (MOFSL)
2. Motilal Oswal Home Finance Limited (MOHFL)
3. Motilal Oswal Asset Management Company Limited (MOAMC)
4. Motilal Oswal Wealth Management Limited (MOWML)
5. MO Alternate Investment Advisors Private Limited
6. India Business Excellence Management Company (IBEMC)
7. Motilal Oswal Investment Advisors Limited
8. Motilal Oswal Asset Management (Mauritius) Private Limited
9. TM Investment Technologies Private Limited
10. India Business Excellence Management Company (IBEMC)

**ii) Details of the services being offered:**

The Portfolio Manager offers Advisory services which are briefed as follows:

**Advisory Services:**

Under these services, the Portfolio Manager advises the Client on investments in general or any specific advice required by the Clients and agreed upon in the Client agreement. The Portfolio Manager will render the best possible advice to the client having regard to the client's needs and the environment, and his own professional skills. The same can be binding or non-binding in nature or in such terms as mentioned in the Client agreement. For such services, the Portfolio Manager charges the Client a fee for services rendered mentioned in the Client agreement. The advice may be either general or specific in nature and may pertain to a particular portfolio. Entry / exit timing, execution and settlement are solely the Client's responsibility.

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

1. All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Regulations made there under relating to Portfolio Management Services.

**None**

2. The nature of the penalty/direction.  
**None**
3. Penalties imposed for any economic offence and/or for violation of any securities laws relating to Portfolio Management Services.  
**None**
4. Any pending material litigation/legal proceedings against the Portfolio Manager/key personnel with separate disclosure regarding pending criminal cases, if any.  
**None**
5. Any deficiency in the systems and operations of the Portfolio Manager observed by the Board or any regulatory agency in relation to Portfolio Management Services for which action may have been taken or initiated.  
**None**
6. Any enquiry/adjudication proceedings initiated by the Board against the Portfolio Manager or its directors, principal officer or employee or any person directly or indirectly connected with the Portfolio Manager or its directors, principal officer or employee, under the Act or Regulations made thereunder relating to Portfolio Management Services. **Details as on March 31, 2024 are provided as an Annexure A.**

5) **Services offered:**

The SEBI has granted certificate of registration to the Company vide its letter dated June 24, 2019 to act as a Portfolio Manager. However currently the Portfolio Manager offers only Investment Advisory services to the offshore clients. The Advisory services are provided only for the below mentioned strategy and accordingly the investment approach is as mentioned below:

**Fund Manager: Mr. Vaibhav Agarwal**

- **Investment Objective:** The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from the Next Trillion Dollar GDP growth. It aims to invest in stocks across market capitalisation with a focus on identifying potential winners that would participate in successive phases of GDP growth.
- **Description of types of securities:** Listed Equity
- **Basis of selection of such types of securities as part of the investment approach:** Diversified: A mix of Large, Midcap and Small cap
- **Allocation of portfolio across types of securities:** The strategy has the mandate to invest in Equity and Equity-related instruments across the entire market capitalization spectrum of Large cap, Midcap and Small cap companies
- **Old Benchmark: Nifty 500 TRI**
- **New Benchmark: S & P BSE 500 TRI**
- **Strategy: Equity**
- **Indicative tenure or investment horizon:** Medium to Long term
- **Other salient features, if any:** Focus on Sectors and Companies which promise a higher than average growth. Concentration on emerging Themes. “Buy & Hold” strategy

- **Risks associated with the investment approach:**

**Equity risk** is the financial risk involved in holding equity in a particular investment. Equity risk often refers to equity in companies through the purchase of stocks, and does not commonly refer to the risk in paying into real estate or building equity in properties.

**Systematic risk** refers to the risk inherent to the entire market or market segment. Systematic risk, also known as “undiversifiable risk,” “volatility” or “market risk,” affects the overall market, not just a particular stock or industry. This type of risk is both unpredictable and impossible to completely avoid. It cannot be mitigated through diversification, only through hedging or by using the correct asset allocation strategy.

**Concentration risk** is the potential for a loss in value of an investment portfolio or a financial institution when an individual or group of exposures move together in an unfavourable direction. The implication of concentration risk is that it generates such a significant loss that recovery is unlikely. The portfolio will be liquidated or the institution will face bankruptcy.

**Model portfolio risk:** Model Portfolio is a concept where the fund manager constructs a portfolio with a certain number of scripts and allocation for each. The same is replicated in terms of scripts and allocation for all future clients. Clients may for a certain interim periods have portfolios which are different from the model portfolio i.e that some stocks may be different or may have a lesser weight compared to the model portfolio. This is a function of many factors like liquidity, organisation level risk practices or other investment decision making considerations.

**Mismatch risk** occurs when an investor chooses investments that are not suitable for their circumstance and risk tolerance. Investors experience mismatch risk when transactions in which they engage or assets they hold are not aligned with their needs. Mismatch between investment type and investment horizon can be a source of mismatch risk. For example, mismatch risk would exist in a situation where an investor with a short investment horizon (such as one who is near retirement) invests heavily in smallcap funds. Typically, investors with short investment horizons should focus on less volatile investments.

**Execution Risk** is that a transaction won't be **executed** within the range of recent market prices or within the stop order limits that have been set by an investor. **Execution risk** exists on virtually all financial instruments.

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

**NOTE:**

- The Client shall deposit with the Portfolio Manager, an initial corpus consisting of Securities and /or funds of an amount prescribed by Portfolio Manager for a Portfolio, subject to minimum amount as specified under SEBI Regulations, as amended from time to time. Currently the minimum investment amount is Rs. 50 Lacs. The Client may on one or more occasion(s) or on a continual basis, make further placement of Securities and / or funds under the service.
- The Portfolio Manager provides the facility to the Client for Direct on-boarding with us without any involvement of a broker/distributor/agent engaged in distribution services. The Client can sign up for our services by writing to us at [pmsquery@motilaloswal.com](mailto:pmsquery@motilaloswal.com) .

Further, under this facility the Portfolio Manager may levy statutory charges to the client. Accordingly, the Portfolio Manager will not charge any Distribution related fees to the Client.

## 6) **Risk Factors:**

The investments made in securities are subject to market risk and there is no assurance or guarantee that the objectives of investments will be achieved. Following are the risk factors as perceived by management:

- Investment in equities, derivatives and mutual funds and Exchange Traded Index Funds are subject to market risks and there is no assurance or guarantee that the objective of investments will be achieved.
- As with any investment in securities, the Net Asset Value of the portfolio can go up or down depending upon the factors and forces affecting the capital markets.
- 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.
- The past performance of the Portfolio Manager does not indicate its future performance. Investors are not being offered any guaranteed returns.
- 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.
- Investments in debt instruments and other fixed income securities are subject to default risk, liquidity risk and interest rate risk. Interest rate risk results from changes in demand and supply for money and other macroeconomic factors and creates price changes in the value of the debt instruments. Consequently, the Net Asset Value of the portfolio may be subject to fluctuation.
- Investments in debt instruments are subject to reinvestment risks as interest rates prevailing on interest amount or maturity due dates may differ from the original coupon of the bond, which might result in the proceeds being invested at a lower rate.
- The Portfolio Manager may invest in non-publicly offered debt securities and unlisted equities. This may expose the Client's portfolio to liquidity risks.
- Engaging in securities lending is subject to risks related to fluctuations in collateral value/settlement/liquidity/counter party.
- The Portfolio Manager may use derivatives instruments like index futures, stock futures and options contracts, warrants, convertible securities, swap agreements or any other derivative instruments for the purpose of hedging and portfolio balancing, as permitted under the Regulations and guidelines. Usage of derivatives will expose the Portfolio to certain risks inherent to such derivatives. As and when the Portfolio Manager deals in the derivatives market on behalf of the Client, there are risk factors and issues concerning the use of derivatives that investors should understand.
- Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but of the derivative itself. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the "counter party") to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Thus,

derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value.

- There are inherent risks arising out of investment approach, investment objectives, investment strategy, asset allocation and non-diversification of portfolio.
- The Net Asset Value may be affected by changes in settlement periods and transfer procedures.

## 7) Client Representation:

### I) Details of Client's accounts activated:

(Rs. Crores)

	Category of Clients	Total No. of Clients	Funds managed	Discretionary / Non-Discretionary / Advisory (if available)
i.	Associates / group companies (Last 3 years)	N/A	N/A	N/A
ii.	<b>Others: (last 3 years)</b>			
	2023-2024	1	276.49	Advisory
	2022- 2023	1	229.02	Advisory
	2021- 2022	2	241.65	Advisory
	2020- 2021	2	199.98	Advisory

\*“Funds Managed” indicates market value of Assets under Management.

### II) Transactions with related parties are as under:

- Names of related parties and nature of relationship (as on March 31, 2023) are as under:

#### A) **Enterprises where control exists:**

Motilal Oswal Asset Management Company Limited

#### B) **Holding Company of MOAMC:**

Motilal Oswal Financial Services Limited

#### C) **Fellow Subsidiaries:f**

1. Motilal Oswal Finvest Limited (Formerly known as Motilal Oswal Capital Markets Private Limited)
2. Motilal Oswal Alternate Investment Advisors Private Limited (Formerly known as Motilal Oswal Fincap Private Limited)
3. Motilal Oswal Commodities Broker Private Limited
4. Motilal Oswal Investment Advisors Limited
5. Motilal Oswal Wealth Management Limited
6. Motilal Oswal Securities International Private Limited
7. India Business Excellence Management Company
8. Motilal Oswal Capital Markets (Hong Kong) Private Limited
9. Motilal Oswal Capital Markets Singapore Pte Limited
10. Motilal Oswal Home Finance Limited (MOHFL)
11. Motilal Oswal Trustee Company Limited
12. India Business Excellence Management Company
13. Motilal Oswal Asset Management (Mauritius) Private Limited

14. Glide Tech Investment Advisory Private Limited
15. Motilal Oswal Finsec IFSC Limited
16. TM Investment Technologies Private Limited
17. Motilal Oswal Alternative IFSC Private Limited

**D) Enterprises in which KMP and their relatives exercise significant influence**

1. Motilal Oswal Foundation
2. Motilal Oswal HUF

**E) Associate Enterprises**

Indian Reality Excellence Fund II LLP

**iii) Transactions with related parties for the year-ended March 31, 2023 (All amounts are in INR Hundred)\**

Nature of transactions	Name of the Related party	Holding Company / Subsidiary Company / Fellow Subsidiary ( A )		
		Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2021
Advisory Income	Motilal Oswal Asset Management (Mauritius) Pvt Ltd	43,832	28,514	25,528
	MOAMC	-	-	6,347
Business Support expense	MOAMC	32,918	20,729	22,241
Interest expense	Motilal Oswal Finvest Limited	0	925	1,338
Loan taken	Motilal Oswal Finvest Limited	-	20,000	-
Loan repaid	Motilal Oswal Finvest Limited	-	20,000	-

**iv) Outstanding balances of / with related parties: (All amounts are in INR Hundred)**

Nature of transactions	Name of the Related party	Holding Company / Subsidiary Company / Fellow Subsidiary ( A )		
		Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2021
Trade Receivables	Motilal Oswal Asset Management (Mauritius) Pvt. Ltd.	13,937	9,168	9,590
Trade Payables	MOAMC	10,145	11,818	6,473

**8) The Financial Performance of Portfolio Manager (Based on audited financial Statements)**

Financial highlights of MOCL for the last 3 years are given as under:

Particulars	Year ended March 31, 2023	Year ended 31, 2022	Year ended March 31, 2021
	(Amount In Hundred)		
Profit/(Loss) before depreciation & tax & After Exceptional & Extraordinary Items (Net of Tax)	45,029	1,840	10864
Less: Depreciation	-	-	-
Less: Provision for tax	7,566	-	4,680
Less: MAT credit utilised/(entitlement)	-	-	-
Less/(Add): Deferred Tax	3,767	2,578	-1,637
Less: Fringe Benefit Tax	-	-	-
Less: Wealth Tax	-	-	-
Less: Provision for Tax (for previous year)	-	-	-
Less: MAT credit (for previous year)	-	-	-
Profit/(Loss) for the year after tax	33,696	(738)	7,821
Add/(Less): Balance B/F from Previous year	13,712	14,450	6,629
<b>Balance carried to Balance Sheet</b>	<b>47,408</b>	<b>13,712</b>	<b>14,450</b>

**9) Portfolio Management performance of the Portfolio Manager for the last 3 years and in case of discretionary Portfolio Manager disclosure of performance indicators calculated using Time Weighted Average (TWRR)**

The Portfolio Manager currently only offers Advisory services to the offshore clients hence it is not possible to calculate performance of the portfolio manage only on the basis of advisory services. In light of the above the same is not applicable.

**10) Details of Diversification Policy and the details of investment of clients's fund in the securities of its related parties or associates.**

Portfolio diversification is a strategy of risk management used in investing, which allows to reduce risks by allocating the funds in multiple asset types. It helps to mitigate the associated risks on the overall investment portfolio.

The Portfolio Manager shall focus through a collection of core holdings and may or may not seek diversification across the various sectors of the equity market. Securities shall be chosen amongst a wide spectrum of market capitalizations, from SME to large capitalization equities. However, from time to time on opportunistically basis, may also choose to invest in money market instruments, units of mutual funds, ETFs or other permissible securities/products in accordance with the Applicable Laws. The Portfolio Manager may also, from time to time, engage in hedging strategies by

investing in derivatives and permissible securities/instruments as per Applicable Laws. For investments in securities of Associates/ Related Parties, the Portfolio Manager shall comply with the following:

The Portfolio Manager shall invest up to a maximum of 30% of the Client’s AUM in the securities of its Associates/Related parties. The Portfolio Manager shall ensure compliance with the following limits:

<b>Security</b>	<b>Limit for investment in single associate/related party (as percentage of Client’s AUM)</b>	<b>Limit for investment across multiple associates/related parties (as percentage of Client’s AUM)</b>
Equity	15%	25%
Debt and hybrid securities	15%	25%
Equity + Debt + Hybrid securities*	30%	

\*Hybrid securities includes units of Real Estate Investment Trusts (REITs), units of Infrastructure Investment Trusts (InvITs), convertible debt securities and other securities of like nature.

The aforementioned limits shall be applicable only to direct investments by Portfolio Manager in equity and debt/hybrid securities of its Associates/Related parties and not to any investments in the Mutual Funds. With respect to investments in debt and hybrid securities, the Portfolio Manager shall ensure compliance with the following:

Under discretionary portfolio management services, the Portfolio Manager shall not make any investment in unrated and below investment grade securities.

Under non-discretionary portfolio management services, the Portfolio Manager shall not make any investment in unrated below investment grade listed securities.

However, Portfolio Manager may invest up to 10% of the assets under management of such clients in unlisted unrated securities of issuers other than associates/related parties of Portfolio Manager. The said investment in unlisted unrated debt and hybrid securities shall be within the maximum specified limit of 25% for investment in unlisted securities as per the PMS Regulations.

• **Investment in the securities of associates/related parties of Portfolio Manager.**

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

11) **Audit Observations**

There are no such major audit observations for the FY 2021-2022 and FY 2022 -2023.

12) **Nature of expenses:**



The following are the broad types of costs and expenses chargeable to Clients availing the Portfolio Management Services. The exact quantum of fees / expenses relating to each of the services shall be annexed to the Agreement executed between the Client and the Portfolio Manager. The expense charged may vary from Client to Client. The expenses incurred shall be directly debited on actual expense incurred basis to the Client's Portfolio as and when the same becomes due for payment.

**I) Investment Management & Advisory Fees:**

Investment Management and Advisory fees charged may be a fixed fee or a return based fee or a combination of both as detailed in the Schedule to the Portfolio Management Services agreement. The Fees may be charged as agreed between the Client and the Portfolio Manager.

**II) Other operating expenses**

Apart from Portfolio Management Fees, the following are the general costs and expenses to be borne by the Client availing the Portfolio Management Services of the Portfolio Manager:

**a. Custodian Fees / Depository Fees :**

The charges relate to opening and operation of depository accounts, custody and transfer charges for securities, dematerialization and rematerialization and other charges in connection with the operation and management of the depository accounts.

**b. Registrar & Transfer Agent Fees:**

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

**c. Audit Fees, Certification and professional charges**

Charges payable for outsourced professional services like accounting, auditing, taxation and legal services etc. for documentation, notarizations, certifications, attestations required by bankers or regulatory authorities including legal fees etc.

**d. Services related expense**

Charges in connection with day to day operations like courier expenses, stamp duty, Goods and Services Tax, postal, telegraphic any other out of pocket expenses as may be incurred by the portfolio manager would be recovered.

**e. Incidental expenses:**

Charges in connection with day-to-day operations like courier expenses, stamp duty, service tax, postal, telegraphic, opening and operation of bank account, distribution charges or any other out of pocket expenses as may be incurred by the Portfolio Manager.

**f.** At the time of on-boarding of clients directly, no charges except statutory charges shall be levied.

**g.** All the operational expenses excluding brokerage and related transaction costs, over and above the fees charged for Portfolio Management Service shall not exceed 0.50% per annum of the client's average daily Assets under Management. All or some of the operational expenses mentioned above excluding brokerage and related transaction costs, may be clubbed under a single expense head.

Apart from operating expenses as mentioned above, the following will also be charged at actuals to Clients:

**h. Brokerage & Transaction Cost:**

The investments under Portfolio Management would be done through registered members of the Stock Exchange(s) who charge brokerage up to a maximum of 2.5% of contract value. In addition to the brokerage, transaction cost like network charges, turnover charges, stamp duty, transaction costs, turnover tax, Securities transaction tax or any other tax levied by statutory authority (ies), foreign transaction charges (if any) and other charges on the purchase and sale of shares, stocks, bonds, debt, deposits, other financial instruments would also be levied by the broker (including Motilal Oswal Securities Ltd.) Entry or exit loads (if any) on units of Mutual Funds will also be charged from Clients.

### III) Entry Load /Exit Load

Portfolio Manager shall charge exit load to the Client in the following manner:

- In the 1<sup>st</sup> year of investment: Maximum 3% of the amount redeemed
- In the 2<sup>nd</sup> year of investment maximum 2 % of the amount redeemed
- In the 3<sup>rd</sup> year of Investment: Maximum 1% of the amount redeemed
- After period of 3 years from the date of investment: Nil

Investors may note that, the fees/ expenses that may be charged to Clients mentioned below are indicative only. The same will vary depending upon the exact nature of the services to be provided to investors.

	<b>Nature of Expenses (Indicative)</b>	<b>Maximum Indicative Rate of Fee (%)</b>										
(A)	Investment Management and Advisory fee**											
	1) Fixed Fee	Up to 5%										
	2) Performance Linked Fee as permitted under the Regulations.	Up to 50% of the Returns										
(B)	Operating expenses#	0.50% per annum of the client's average daily Assets under Management (AUM).										
(C)	Brokerage and transaction costs	At actuals										
(D)	Exit Loads	Portfolio Manager shall charge exit load to the Client in the following manner <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Year</th> <th>Exit Load (%)</th> </tr> </thead> <tbody> <tr> <td>In the 1<sup>st</sup> year of investment</td> <td>3</td> </tr> <tr> <td>In the 2<sup>nd</sup> year of investment</td> <td>2</td> </tr> <tr> <td>In the 3<sup>rd</sup> year of Investment</td> <td>1</td> </tr> <tr> <td>After period of 3 years from the date of investment</td> <td>Nil</td> </tr> </tbody> </table>	Year	Exit Load (%)	In the 1 <sup>st</sup> year of investment	3	In the 2 <sup>nd</sup> year of investment	2	In the 3 <sup>rd</sup> year of Investment	1	After period of 3 years from the date of investment	Nil
Year	Exit Load (%)											
In the 1 <sup>st</sup> year of investment	3											
In the 2 <sup>nd</sup> year of investment	2											
In the 3 <sup>rd</sup> year of Investment	1											
After period of 3 years from the date of investment	Nil											
**Basis of Charge – Indicative (any one or a combination of the below)												
1	On Average Daily Assets Under Management											
2	On Capital Invested											
3	On Capital Committed											
4	On Average Daily Equity portion of the Portfolio											
#	Includes Audit fees, Franking, Notary Charges, Miscellaneous expenses											

#### Note:

- a. Average daily portfolio value means the value of the portfolio of each client determined in accordance with the relevant provisions of the agreement executed with the client and includes both realized and unrealized gains/losses.
- b. The Portfolio Manager may also be entitled to recover transaction fee, brokerage charges, demat fees, and/or disbursement made in respect of the investments (and/or disbursements) and/or any incidentals in the form of stamp duties, registration charges, professional fees, legal fees, consultancy charges, service charges etc. and such other expenses, duties, charges incurred on behalf of the Client on account of the Service provided to him/her/it.

### **13) Taxation**

The following information is based on the law in force in India at the date hereof. The information set forth below is based on the Portfolio Manager's understanding of the Tax Laws as of this date of the Document. The client should seek advice from his/her/its own professional advisor if he/she/it is in any doubt regarding the taxation consequences of investing in the Products offered under Portfolio Management Services.

#### **Direct Taxation**

The Union Budget 2024-25 was presented by the Hon'ble Finance Minister Smt. Nirmala Sitharaman on 1st February 2024 in the Parliament. It is pertinent to note that Individual and corporate tax rates for FY 2024-25 (AY 2025-26) was left unchanged. Hence, Individual and corporate tax rates as applicable for FY 2023-24 shall remain same for FY 2024-25. The Finance Minister introduced new tax regime in Union Budget, 2020 wherein an option for individuals and HUF (Hindu Undivided Family) to pay taxes at lower rates without claiming deductions under various sections. Budget 2023 has made the new income tax regime as the default option for income taxpayers.

Accordingly, an individual can switch between the new tax regime and the old tax regime in every financial year. However, the facility to switch between the new and old tax regimes is available only for those individuals having salaried income and does not have business income.

Accordingly, taxpayers can select either of below 2 options. Further once the new option is selected he cannot roll back to old regime for taxpayer earning income from business.

1. Tax payers will be allowed to opt to pay income tax at lower rates as per New Tax regime on the condition below mentioned exemptions and deductions will not be allowed to assessee :-
  - i. Profession tax;
  - ii. House Rent Allowance
  - iii. Housing Loan Interest
  - iv. Leave Travel Allowance
  - v. Deductions under Chapter VIA of the Income tax Act, 1961 such as section 80C (life insurance premium), section 80CCC (pension premium), 80D (health insurance premium), 80TTA (bank interest), etc.
  - vi. Conveyance allowance;
  - vii. Relocation allowance;
  - viii. Helper allowance;
  - ix. Children Education allowance;
  - x. Other special allowance under section 10(14) of Income Tax Act, 1961;
2. The assessee can avail above mentioned rebates and exemptions by staying in the old regime and paying tax at the existing higher rate.
3. The tax rebate limit under Section 87A has been increased from FY 2023-24. If you choose the new tax regime, you will be eligible for a tax rebate of Rs.

4. 25,000 on income up to Rs 7 lakh. This was previously set at Rs.12,500 for income up to Rs 5 lakh. It is to be noted that the tax rebate continues to be Rs.12,500 on income up to Rs 5 lakh under the old tax regime.

The following Income Tax slab rates are notified in new tax regime vs old tax regime:

Income Tax Slab	Tax rates as per new regime	Income Tax Slab	Tax rates as per old regime
₹0 - ₹3,00,000	Nil	₹0 - ₹2,50,000	Nil
₹3,00,001 - ₹6,00,000	5%	₹2,50,001 - ₹5,00,000	5%
₹6,00,001 - ₹9,00,000	₹15000 + 10% of total income exceeding ₹6,00,000	₹5,00,001 - ₹10,00,000	12500 + 20% of total income exceeding ₹5,00,000
₹9,00,001 - ₹12,00,000	₹45000 + 15% of total income exceeding ₹9,00,000	Above ₹10,00,000	112500 + 30% of total income exceeding ₹10,00,000
₹12,00,001 - ₹15,00,000	₹90000 + 20% of total income exceeding ₹12,00,000		
Above ₹15,00,000	₹150000 + 30% of total income exceeding ₹15,00,000		

#### Tax rates for Senior Citizens and Super Senior Citizens \*

Income Tax Slab	Tax Rate for Individuals Above the Age of 60	Tax Rates for Super Senior Citizens above the age of 80 Years
Up to Rs. 3,00,000	Nil	NIL
Rs. 3,00,001 to Rs. 5,00,000	5%	NIL
Rs. 5,00,001 to Rs. 10,00,000	20%	20
Above Rs. 10,00,000	30%	30%

#### \* IT relaxation for senior citizens of 75 years age and above:

It has been proposed to exempt senior citizens from filing income tax returns if pension income and interest income are their only annual income source. Section 194P has been newly inserted to casting responsibility on banks to deduct tax on senior citizens of more than 75 years of age who have a pension and interest income from the bank.

### Surcharge rates for Individual / HUF/ AIFs: -

The surcharge applicable on the basis of income thresholds as follows:

- 10% - For Total Income above Rs. 50 lakh and up to Rs. 1 crore;
- 15% - For Total Income above Rs. 1 crore and up to Rs. 2 crore;
- 25% - For Specified Income above Rs. 2 crore and up to Rs. 5 crore;
- 37% - For Specified Income above Rs. 5 crore

**Surcharge on Specified income** – Surcharge on Short Term Capital Gains as Prescribed under section 111A (i.e. on STT paid shares at the time of sale of shares) & Long term capital Gains as prescribed under section 112A (i.e. STT paid shares both at the time of sale & purchase of shares) is summarized below:

Criteria for surcharges rates	Surcharge Rates on Capital gain (STT paid shares) For Individuals/HUF/AOP/BOI	Surcharge Rates on Capital gain(STT paid shares) For Companies under Old regime	Surcharge Rates on Capital gain(STT paid shares) For Companies under New Regime
Total Income >50Lacs but Below 1Cr	10%	7%	10%
Total Income >1Cr but Below 10Cr	15%	7%	10%
Above 10Cr	15%	12%	10%

Surcharge has been capped at the rate of 15 per cent on capital gain arises on sale of long-term capital asset and short term capital gain arises on transfer of listed equity share or units of equity oriented fund. In addition to above Health & Education Cess @4% would be levied Basic Tax & Surcharge for ALL Assesses.

### Income Tax Rates & Surcharge for Domestic Companies for FY 2023-24

Turnover Particulars	Tax rates as per Old regime	Tax rates as per New regime
Gross turnover up to 400 Cr. in the FY 2021-22	25%	NA
Domestic Co other than above	30%	22%
MAT tax rate	15%	NA

### **Taxability on Dividend received from Domestic Company or Mutual Fund (Equity Oriented or Debt Mutual Funds): -**

Effective 1 April 2020 the Dividend received on the shares and units of above Mutual Funds held in the Products offered under the Portfolio Management Services are subject to tax in the hands of investor as w.e.f. 1<sup>st</sup> April 2020 at the applicable slab rates. No Dividend Distribution tax on the amount of dividend/income distribution declared to be paid by domestic Co or Mutual fund will be applicable.

## **Taxability on Capital Gains: -**

### **For Individuals, HUF, Partnerships Firm and Indian Companies**

#### **(a) Long Term Capital Gains**

From 01 April 2019 in case of listed equity shares and units of equity oriented schemes sold on a recognized stock exchange, which are subject to Securities Transaction Tax (currently 0.001% for units of equity oriented scheme and 0.1% on equity shares) both at time of purchase & sale of Equity shares & the tax on Long Term Capital Gain would be @ 10% if Capital gain is more than Rs.1 Lakh with a grandfathering clause. Long term capital gains in respect of other listed securities (other than a unit) or Zero coupon bonds would be subject to tax at the lower of 20% (plus surcharge and education cess) computed after cost indexation, or 10% (plus surcharge and education cess) of the gains computed without cost indexation. In case capital gain arises on transfer of unlisted securities will be taxed @ 20% (plus surcharge and education cess) after considering cost indexation. However, in case of non-resident or a foreign company, capital gain arises from above mentioned unlisted securities would subject to concessional tax rate of 10% without considering cost indexation.

#### **(b) Short Term Capital Gains**

Short-term Capital Gains is added to the total income is chargeable to tax as per the relevant slab rates. However, tax on short term capital gains on sale of shares and units of equity oriented funds on a recognized stock exchange, which are subject to Securities Transaction Tax, would be @ 15% (plus applicable surcharge and an education cess).

Taxability on debt schemes (Invest in debt securities, money market instruments, G-secs, corporate bonds and municipal bonds), Floater funds (Invest minimum 65% in debt instruments) and conservative hybrid fund (Invest 10% to 25% in equity and 75% to 90% in debt instruments) would be considered as short term capital gain irrespective of holding period if purchase on or after 01-April-2023. As per newly inserted section 50AA, Capital gain on redemption of MLD instruments will be taxed as short term capital gain at applicable tax rate which is previously taxed at 10% without indexation as long term capital gain.

#### **Provisions regarding Bonus**

According to the provisions of Section 94(8) of the Act, if an investor purchases units within 3 months before the record date (for entitlement of bonus) and sells/redeems the units within 9 months after that date, and by virtue of holding the original units, he becomes entitled to bonus units, then the loss arising on transfer of original units shall be ignored for the purpose of computing his income chargeable to tax. In fact, the loss so ignored will be treated as cost of acquisition of such bonus units-

#### **Switching from one scheme to another**

As stated in the respective Scheme Information Documents, switching from one Scheme / option to another Scheme / option will be effected by way of redemption of units of the relevant Scheme / option and reinvestment of the redemption proceeds in the other Scheme / option selected by the unit holder. Hence, switching will attract the same implications as applicable on transfer of such units.

#### **Consolidation of Schemes**

Transfer of units upon consolidation of mutual fund schemes of two or more schemes of mutual fund in accordance with SEBI (Mutual Funds) Regulations, 1996 is exempt from capital gains. Further, transfer of units

upon consolidation of plans within mutual fund schemes in accordance with SEBI (Mutual Funds) Regulations, 1996 is exempt from capital gains.

**Tax withholding: -**

**Resident Investors: -**

Also w.e.f. 1st April 2020 mutual fund shall be required to deduct TDS at 10 per cent only on dividend payment (Above Rs 5000) & No tax shall be required to be deducted by the mutual fund on income which is in the nature of capital gain.

**Foreign Institutional Investors (FII)/Foreign Portfolio Investors (FPI)**

Under section 196D of the Act, no tax is required to be deducted at source on income way of capital gains earned by a FII/FPI. As per recent amendments, dividends received by FII from Indian companies post April 1, 2020 would be liable to pay tax at the rate of 20% (plus applicable surcharge and cess) and the Indian portfolio companies would be liable to withhold taxes at such rates to withhold tax at 20% or rate specified in tax treaty, whichever is lower, subject to availability of tax residency certificate.

**Non-resident Investors other than FPI's/FII's**

Under Section 195 of the Act, the Mutual Fund is required to deduct tax at source at the rate of 20% /10% (without indexation) on any long-term capital gains arising to non-resident investors from units other than units of an equity oriented scheme. Long term capital gains from equity oriented schemes & listed equity shares are liable to be withhold @10% if the capital gain exceed Rs 1Lakh during the financial year starting from April 1, 2018 subject to Grandfathering Clause.

In respect to short-term capital gains from units other than units of an equity oriented scheme, tax is required to be deducted at source at the rate of 30% if the payee unit holder is a non-resident non-corporate and at the rate of 40% if the payee unit holder is a foreign company. In case of equity oriented schemes, tax is required to be deducted at the rate of 15% for both corporate and non-corporate non-resident unit holders.

Further, the aforesaid tax to be deducted is required to be increased by surcharge and Health & Education Cess, as applicable.

As per circular no. 728 dated October 30, 1995 issued by the CBDT, in the case of a remittance to a country with which a Double Tax Avoidance Agreement ('DTAA') is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in the DTAA, whichever is more beneficial to the assessee.

**Please note:**

The tax incidence to investors could vary materially based on residential status, characterization of income (i.e. capital gains versus business profits) accruing to them. The Information provided here is general in nature & can be changed in future by Department or Govt. Please consult your financial planner/ Advisor before taking decision

**14) Accounting Policies:**

MOCL shall keep the funds/securities of the Clients in a Separate Bank Account & Depository Account. MOCL shall maintain the Assets of the Client under Non-Pool System. Under this system, the Demat account and bank accounts are maintained in the name of the Client itself. All incomes and expenses will be accounted as per the Accounting Standard issued by the Institute of Chartered Accountants of India for service sector.

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

Investments in Equities, Mutual funds, Exchange Traded Funds and Debt instruments will be valued at closing market prices of the exchanges (BSE or NSE as the case may be) or the Repurchase Net Asset Value declared for the relevant scheme on the date of the report or any cut-off date or the market value of the debt instrument at the cut-off date. Alternatively, the last available prices on the exchange or the most recent NAV will be reckoned. In case of structured products, the portfolio will be valued at the face value of the product until the expiry of the tenure.

- a) Realized gains/ losses will be calculated by applying the first in / first out principle. The Portfolio Manager and the Client can adopt any specific norms or methodology for valuation of investments or accounting the same as may be mutually agreed between them on a case specific basis.
- b) For derivatives and futures and options, unrealised gains and losses will be calculated by marking to market the open positions.
- c) Unrealised gains/losses are the differences in between the current market values/NAV and the historical cost of the securities.
- d) Dividend on equity shares and interest on debt instruments shall be accounted on accrual basis. Further Mutual Fund dividend shall be accounted on receipt basis. Other income like bank interest, interest on FD etc. shall also be accounted on receipt basis.
- e) Bonus shares shall be recognised only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
- f) Right entitlement shall be recognised only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.
- g) The cost of investment acquired or purchased shall include brokerage, stamp duty and any charge customarily included in the brokers cost note/bought note.

The Accounting Policies and Standards as outlined above are subject to changes made from time to time by Portfolio Manager. However, such changes would be in conformity with the Regulations.

#### **15) Investors Services:**

**(i) Details of investor relation officer who shall attend to the investor queries and complaints is mentioned herein below:**

Name of the person	Mr. Krishnadev Ganpat Jadhav
Designation	Assistant Manager, Offshore Operations
Address	Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi - 400025
Email	Jaikumar.Ganpathy@motilaloswal.com
Telephone	+91-8655813983

**ii) Grievance Redressal and dispute settlement mechanism:**



- a) The Investment Relation Officer(s) will be the interface between the Portfolio Manager and the Client. In case the Client is not satisfied with the redressal by the Portfolio Manager or otherwise, the Client may lodge the complaint on SEBI's web based complaints redress system (SCORES).
- b) Grievances, if any, that may arise pursuant to the Portfolio Investment Management Agreement entered into shall as far as possible be redressed through the administrative mechanism by the Portfolio Manager and are subject to SEBI (Portfolio Managers) Regulations 2020 and any amendments made thereto from time to time. However, all the legal actions and proceedings are subject to the jurisdiction of court in Mumbai only and are governed by Indian laws.

The Portfolio Manager will endeavour to address 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 through Arbitration process as described in the Portfolio Investment Management Agreement or any Supplemental Agreement thereto.

**For Motilal Oswal Capital Limited:**

<b>Mr. Prateek Agrawal Director</b>	<b>Sd/-</b>
<b>Mr. Akhil Chaturvedi Director</b>	<b>Sd/-</b>

**Place: Mumbai**  
**Date: May 7, 2024**

**Annexure A**

**Following are the actions taken or initiated by the SEBI against Portfolio Manager in its capacity as Asset Management Company (MOAMC) to MOMF:**

1. MOAMC had received a letter from SEBI dated July 26, 2013 with reference to one complaint filed with SEBI wherein the complainant has alleged that disclosure of historical data pertaining to Index in NFO advertisement of the Scheme, Motilal Oswal MOST Shares Midcap 100 ETF (MOST Shares Midcap 100) was misleading. On that basis SEBI had issued a letter directing the Management to avoid recurrence of such instance in future and to place its letter before the Trustee and AMC Board. In this regard, the Company clarified to SEBI that the historical data used in the advertisement material of the MOST Shares Midcap 100 was provided by India Index Services Ltd. (IISL). As, it is general practice for index providers to launch an index on a particular date and make past data available in time series form at going back years. The purpose is purely analytical in nature for getting an understanding of how such index has behaved over

time. The historical data pertaining to Midcap 100 Index was made available by IISL under a licensing arrangement and making available index data for various historical purposes is normal practice with all indices and index providers. Further, in the advertisement material had clearly mentioned the source of that data as IISL whereby informing the prospective investor that the Company had relied on the historical data published and maintained by a third party. Hence, the Company had not violated any provisions of the advertisement guidelines issued by SEBI. Therefore, SEBI was requested to take note of abovementioned clarification.

2. MOAMC had reported to SEBI regarding non-compliance of clause 1B of seventh schedule to sub-regulation 1 of regulation 44 under the Scheme, Motilal Oswal MOST Ultra Short Term Bond Fund, in the Compliance Test Reports for the Bi-month period ended September 2013 and November 2013. The same was informed to the Board at its meeting held on December 26, 2013. Pursuant to above reporting, SEBI issued a letter having reference no. OW/4941/2014 dated February 13, 2014, advising MOAMC to improve compliance standards, strengthen the systems and have proper checks and balances in place to avoid such instances in future.
3. SEBI issued deficiency letter dated March 04, 2014 to AMC pertaining to SEBI inspection of books of accounts and other records of MOAMC - PMS. Inspections was carried out for the period April 01, 2011 to November 30, 2012. However, the steps undertaken by AMC was noted so as to improve the systems and procedures, which states to amend the disclosures of Disclosure Document so as to include all penalties, pending litigations, proceedings, findings of inspection/ investigation. The same has been taken care by MOAMC.
4. The AMC had received a letter from SEBI dated October 5, 2015 wherein they have communicated concerns which it had observed while conducting on-site visit on IAP conducted by MOMF wherein they observed that the AMC vide its e-mail dated June 23, 2015 had reported that the IAP was conducted at the scheduled time and venue but actually a Distributor training event was conducted, wherein training was provided to the Distributors. In this regard SEBI warned and advised to take due care with regards to utilisation of 2 bps to the investor education and awareness purpose and ensure compliance with all statutory provisions.
5. In response to the above mentioned letter, AMC had sent a letter dated November 10, 2015 stating that in consultation with the Distributor, AMC had scheduled the IAP on May 20, 2015 @ 4.30 pm at NJ Ghatkopar - Office no 306, 3rd Floor, Zest Business Space, Ghatkopar East, Mumbai - 400077. However, on reaching the venue, the Distributor informed that they had communicated the time of IAP at 7:00 pm to their Investors at same venue. Thus, IAP meeting was conducted at 7:00 pm instead of 4:30 pm. However, due to oversight, AMC inadvertently reported the wrong time while reporting the IAP event conducted. Further, also clarified that expenses incurred in organizing the IAP at Ghatkopar has not been charged from 2 bps set aside from the Scheme but are borne by the AMC. The AMC requested SEBI to withdraw the warning.
6. W.R.T. routine periodical SEBI inspections of MOMF, its Registrar & Transfer Agent & Custodian for the period February 2013 – March 2014, SEBI vide its letter dated November 16, 2015 has advised to take due care in compliance mechanism. Necessary steps have been taken to avoid recurrence of instances and systems have been strengthened. The following are the details:

- Requirement relating to Investors (20 – 25)

With respect to the aforesaid point, SEBI warned and advised the AMC to take due care in future and improve the compliance mechanism and standards to avoid reoccurrence of such instances. In this regard, the AMC clarified that the reporting is done as on half year end and hence details of only those investors who were holding more than 25 % as on the end of half year period are provided as a note to the Half Yearly Financials and also submitted that this practice is in line with the industry practice and hence also followed by us. AMC further requested to withdraw the warning and also to provide a guidance note across the industry so as to have clarity on the aforesaid regulation.

- Business with brokers. Non Availability of records relating to empanelment of brokers:

With respect to the above deficiency, SEBI advised to strengthen the process and systems so that such lapses do not occur in future. In this regard, AMC took note of the above point and shall ensure the same.

7. The AMC had received a warning letter from SEBI dated May 19, 2016 in accordance with Regulation 28(5) of SEBI (Mutual Funds) Regulations, 1996 which states that the Sponsor or asset management company of schemes existing as on date of notification of the SEBI (Mutual Funds) (Amendment) Regulations, 2014 shall invest not less than one percent of the assets under management of the scheme as on date of notification of these regulations or fifty lakh rupees, whichever is less, in the growth option of the scheme and such investment shall not be redeemed unless the scheme is wound up.  
In response to the above mentioned letter, the AMC had sent a letter dated August 4, 2016 submitting that Motilal Oswal Group's investment in the scheme Motilal Oswal MOST Focused 25 Fund was approximately Rs. 48 crores under Growth and Dividend reinvestment options. Our Sponsor, MOSL and the Sponsor's holding company, MOFSL had redeemed its investments from the Growth Option of the Scheme retaining investment of approx. Rs. 2.5 crores in the Direct Plan - Dividend Reinvestment Option of the Fund. Since both the options i.e. growth option and dividend reinvestment option have similar characteristics i.e. in case of investment in growth option, the number of units remains same and the NAV per unit increases. However, in case of investment in dividend reinvestment option the number of unit increases, but total NAV would remain more or less same under both the options. Further it was also submitted that the Fund had complied with the SEBI requirement in spirit and therefore SEBI taking serious view of the matter and issuing warning to us is not warranted and requested SEBI to review their decision. Further, to comply with specific communication, the AMC has invested in the Growth Option of the Scheme, Motilal Oswal MOST Focused 25 Fund and we have frozen the relevant folios and are continuously monitoring the same.
8. AMC had received an advisory letter dated December 29, 2017 from SEBI pertaining to the CTR for the bi month ended September 2017, in regard to Non-compliance in one case of applicability to NAV, wherein AMC has not allotted MF units to investor at an appropriate NAV. In this regard, MOAMC has ensured to adhered to all the provisions of MF Regulations and all the circulars issued therein.
9. AMC had received a warning letter dated November 29, 2019 from SEBI w.r.t. Short payment of service fees or annual fees for the financial year 2017-18 in accordance with Regulation 12 of SEBI (Mutual Funds) Regulations, 1996. Pursuant to the said warning letter, all the necessary actions have been taken by AMC for making payment of deferential annual fees including interest thereon. Further, the SEBI advised AMC to ensure strict adherence with the Regulations and circulars issued thereof and avoid recurrence of such event in future. In this regard, AMC took note of the same and ensured to avoid recurrence of such event in future.
10. AMC had received findings letter dated December 03, 2019 from SEBI w.r.t. Inspection of books of accounts and other records for AIF business and hence SEBI had asked corrective action on the same. The same has been ensured by AMC to adhere and comply with the provisions.
11. AMC received a warning letter dated September 15, 2020, from SEBI w.r.t. Inspection of MOAMC – Portfolio Management Services. Further, SEBI advised AMC to view it seriously and to take due care in future compliance standards to avoid recurrence of such event. The same has been ensured by AMC to adhere and comply with the provisions.
12. AMC received a warning letter dated September 23, 2020 pertaining to SEBI inspection cum surveillance of MOMF for the month of April 2019, where various alerts were generated on data submitted by AMC and RTA. Instances pertaining to failure of system to detect transaction splitting by distribution to earn additional charges, KYC verification of investors. Wherein RTA has ensured necessary compliances to avoid such instances in future.
13. AMC received a warning letter dated October 20, 2021, from SEBI w.r.t. incorrect disclosure of risk-o-meter published in communication to investors of the Scheme, Motilal Oswal Dynamic Fund. The risk-o-meter was erroneously mentioned as “Moderate” in place of “Moderately High” in marketing communication which was released on August 7, 2021 on various social media platforms namely Twitter, Facebook and Instagram. AMC on August 9, 2021, immediately withdrew the content from the website and all the online platforms wherever it was published and identified that there were no new investors who had invested through website mode during the period such wrong data was published online. AMC as a measure of corrective action strengthen the mechanism of providing its approval for the release of any marketing communication and a system based solution was also assessed to strengthen the marketing material review and filing with SEBI process so as to ensure that there shall not be any other non-compliance in this regard.

14. AMC received a warning letter dated July 19, 2022 from SEBI w.r.t. Off-site Inspections Cum Surveillance of Motilal Oswal Mutual Fund for the period April 2020-March 2021, wherein management response/ clarification had been submitted to SEBI. In this regard, one alert was genuine in nature and rectified by AMC as soon as SEBI has highlighted the same.

Further, with a view to ensuring that RTA responses to SEBI observations are factual and correct, the MOAMC has decided to appoint a concurrent auditor as a third party check on behalf of the AMC to enhance the timely verification of all matters and processes wherein warning/observation has been issued by SEBI to ensure cross verification of RTA's statement before it being forwarded to SEBI.

15. AMC received a warning letter dated October 14, 2022 from SEBI regarding Disclosures on proxy votes cast by Mutual Funds. AMC have practice of voting on e-voting platform developed by the custodian viz. M/s. Duetsch Bank AG. As and when the company's meetings notices hosted on Exchanges website the same gets reflected on this platform. Thus, based on recommendation received from AMC, Custodian executes the votes on their platform. In case of said holding, some resolutions could not be taken into consideration while casting the vote due to subsequent additions at Investee company's end in the notice posted on exchanges website.

It may further be noted that prior to 17th August 2022, AMC could do voting whenever it is visible on e-voting platform, well in advance. As AMC was voting in advance, Custodian could not add any new resolution as voting has already done for that particular company. The said issue was identified by Custodian itself and implemented new procedure, due to which post 17th August 2022; AMCs are allowed to vote only on record date. In this view, such kind of instances will not appear in future.

16. AMC received a warning letter dated January 21, 2023 from SEBI w.r.t. Off-site Inspections Cum Surveillance of Motilal Oswal Mutual Fund for the period April 01, 2021 to March 31, 2022, AMC received alerts/ instances indicating possible violations of SEBI MF Regulations.

Corrective actions taken and conveyed to SEBI as follows –

- i. The RTA was cautioned in the past for the deficiencies at their end and subsequently the RTA has confirmed vide this letter dated August 03, 2022 that they have put new controls wherein effective from January 18, 2023, if SIP start date and end date are different for SIP but registration date is same, then registration date will be considered as split transaction for levy of charges.
  - ii. The RTA has confirmed that effective from January 13, 2023 they have improved the logic for deducting transaction charges for NFOs from 'transaction date' to 'Allotment date'.
  - iii. Additionally, the RTA has informed that it has developed "Quest System" generating alerts based on regulatory observations for each transaction and effective from March 15, 2023 will provide it to AMC on daily basis for exceptional instances, if any, for its timely resolution.
17. AMC received a warning letter dated February 27, 2023 from SEBI w.r.t. examination conducted by SEBI on the manner of implementation of various SEBI/AMFI directives by all AMC's revealed irregularities/ deficiencies which primarily relate to splitting of transaction. In view of the same, we have received an industry wide letter dated February 27, 2023 from SEBI highlighting the cases of non-compliance of SEBI MF Regulations and cases of Advisory. The same has been detailed out in point w.r.t. AMFI guideline having ref no. AMFI/ 35P/ MEM-COR/ 47 / 2022-23 September 21, 2022 on Splitting of transactions for earning transaction charges by MFD.

The AMC and Trustee Board Noted the said warning letters at its respective meetings.

#### **Following are the cases pertaining to MOFSL, holding company of MOAMC**

- During the period May 2012 to January 2024, the NSE has levied penalties/fines on Motilal Oswal Financial Services Ltd. (MOFSL), aggregating to Rs. 1299534595.07 on account of various reasons viz: non-submission of UCC details, , short collection of margins & violation of market wide position limit in F&O segment,

observations made during the course of inspections. However, the aforesaid penalties/fines as levied by NSE have been duly paid.

- During the period May 2012 to January 2024, the BSE has levied penalties/fines aggregating to Rs. 10370118.15 on account of various reasons viz: non-submission of UCC details, settlement of transactions through delivery versus payment, observations made during the course of inspections, etc. However, the aforesaid penalties/fines as levied by BSE have been duly paid.
- During the period March 2018 to January 2024, the NCDEX has levied penalties/fines on Motilal Oswal Financial Services Ltd. (MOFSL), aggregating to INR Rs. 15349583.12 on account of Margin Shortfall Penalty. However, the aforesaid penalties/fines as levied by NCDEX have been duly paid.
- During the period March 2018 to December 2023, the MCX has levied penalties/fines on Motilal Oswal Financial Services Ltd. (MOFSL), aggregating to INR Rs. 133562788.65 on account of various reasons viz: late/non submission of details pertaining to Enhanced Supervision, Margin Shortfall Penalty, etc. However, the aforesaid penalties/fines as levied by MCX have been duly paid.
- During the period April 2013 to December 2023, the CDSL has levied penalties/fines aggregating to Rs. 17,20,565.74 on account of reasons viz: non-collection of proof of identity of clients, deviation in following of transmission procedure etc; whereas from penalty of Rs. 9,45,370.96 were levied by NSDL during the course of MOFSL operations. However, the aforesaid penalties/fines as levied by CDSL and NSDL have been duly paid.

#### **Details of the Actions Initiated by SEBI in case of MOFSL are detailed below for last 3 years**

##### **a) SEBI Adjudication on scrip Resurgere Mines & Mineral Limited:**

SEBI has initiated adjudication notice against MOFSL vide notice no. SEBI/HO/EAD/EAD4/P/OW/2021/27159/3 dated 05th October, 2021 under rule 4(1) of SEBI (Procedure for holding inquiry and Imposing penalties) rules, 1995 in the matter of Resurgere Mines and Minerals India Limited (RMMIL) Personal Hearing scheduled by SEBI held on 4th April 2022. SEBI issued Adjudication order GR/PU/2022-23/17202-17225 dated 21st June, 2022 wherein SEBI have taken no action against MOSL (i.e. MOFSL after merger)

##### **b) SEBI Show cause notice on Joint Inspection conducted for period April 01, 2018 to August 31, 2019:**

SEBI has sent show cause notice vide letter no: SEBI/EAD-3/BM/LD/31186/2021 against MOFSL dated November 01, 2021 based on Rule 4(1) of SEBI (Procedure of Holding inquiry and Imposing Penalties) Rules 1995 and Rule 4 (1) of Securities Contract Regulation (Procedure of Holding inquiry and Imposing Penalties) Rules 2005 where non-compliances observed during inspection viz: Mis-utilisation of client funds, Incorrect Reporting/Short collection of Margin, Client funding beyond stipulated time, Discrepancies in CKYC process, Non maintenance of evidence of client order placement, incorrect reporting of Weekly Enhanced Supervision data, are highlighted and have asked to revert with clarifications and supporting within 21 days from date of notice. MOFSL had asked for extension to file the revert which was considered by SEBI. Later, MOFSL had filed its reply to SEBI on 28th December, 2021. Personal hearing was conducted on 14th Feb 2022. Basis direction of Adjudicating officer we have filed additional data w.r.t Margin

reporting wherein funds were transferred from one segment to another. SEBI vide adjudication order NO. ORDER/BM/LD/2022-23/16301 dated 29th April, 2022 have imposed the penalty of Rs. 25 lakhs which we have paid to SEBI on 23rd May, 2022. As a corrective action on mis-utilization of funds and post Enhanced Supervision circular issued on Sept, 2016, we have not invested any client's funds into non-cash component. We invest only in cash and cash equivalents.

**c) In matter of Mr. Hemant Ghai**

Motilal Oswal Financial Services Limited (MOFSL) has received Show Cause Notice under sections 11(1), 11(4), 11(4A), 11B(1) and 11B (2) of SEBI Act, r/w rule 4(1) of SEBI (Procedure for holding inquiry and imposing penalty ) Rules, 1995, in the matter of CNBC Awaz Show Co-hosted by Mr. Hemant Ghai. It is inter alia alleged that MOFSL did not ensure adequate supervision of its Authorized Person (AP) MAS Consultancy Services. The matter is currently pending.

**d) SEBI administrative warning letter on Joint Inspection conducted of MOFSL for period April 01, 2021 to June 30, 2022:**

SEBI has sent their observations during the course of inspection vide letter number SEBI/HO/MIRSD/DoS-1/P/OW/2022/51629/1 dated October 08, 2022, SEBI/HO/MIRSD/DoS-1/P/OW/2023/12068/1 dated March 23, 2023 and SEBI/HO/MIRSD/SEC-1/SD/AD/P/OW/2023/46177/1 dated November 20, 2023 against MOFSL where non-compliances were observed during inspection for which MOFSL had filed its reply with SEBI on October 31, 2022, April 05, 2023 and December 18, 2023 respectively. Based on our submissions along with valid justifications and supporting documents SEBI has issued administrative warning to MOFSL vide letter number SEBI/HO/MIRSD/MIRSD-SEC-1/AD/OW/2024/13975/1 dated April 08, 2024 for areas of retail broking operations such as wrong retention statement sent to clients, nomenclature of demat account is not appropriate, stock broker has not obtained Standardization Testing and Quality Certification for the off-the-shelf products, mismatch in data submitted towards weekly enhanced supervision, mismatch in creditors balances submitted towards cash and cash equivalent submission and bank balances and mismatch in reporting of shares in weekly client level holding submission and has advised to take appropriate corrective steps to rectify the aforesaid discrepancies. We have already complied and taken corrective actions as per prevailing regulatory guidelines..