

**DISCLOSURE DOCUMENT FOR GIFT CITY BRANCH OF MARCELLUS INVESTMENT MANAGERS PRIVATE LIMITED**

(As per the requirement of the Regulation 74 of International Financial Services Centres Authority (“**IFSCA**”) (Fund Management) Regulations, 2025)

- A. This Disclosure Document pertains to the disclosures made by Marcellus Investment Managers Private Limited (the “**Company/Portfolio Manager/Investment Manager**”), IFSC Branch.
- B. The purpose of this Disclosure Document is to provide essential information about the Portfolio Management Services to assist and enable investors in making informed decisions prior to engaging the Portfolio Manager.
- C. The Disclosure Document sets forth necessary information about the Portfolio Manager required by an investor before investing, and the investor may also be advised to retain the Disclosure Document for future reference.
- D. The name, phone number, e-mail address of the Principal Officer so designated by the Portfolio Manager is:

<b>Name of the Principal Officer</b>	Mr. Kalpesh Soni
<b>Phone</b>	<a href="tel:0806-9199-400">0806-9199-400</a>
<b>Email</b>	<a href="mailto:kalpesh.gift@marcellus.in">kalpesh.gift@marcellus.in</a>
<b>Registered Office Address</b>	102, First Floor, Boston House, Suren Road, Near 'Western Express Highway' Metro Station, Andheri East, Mumbai -400 093
<b>IFSC Branch office Address:</b>	Unit no. 431 and 432, Signature Building, Fourth Floor, Block No. 13B, Zone -1, GIFT SEZ, GIFT City, Gandhinagar, Gujarat - 382355

**International Financial Services Centres Authority (Fund Management) Regulations 2025,  
Regulation 74**

Name of the Portfolio Manager : Marcellus Investment Managers Private Limited

Regd. Office Address : 102, First Floor, Boston House, Suren Road,  
Near 'Western Express Highway' Metro Station,  
Andheri East, Mumbai –400 093

Telephone : [0806-9199-400](tel:0806-9199-400)

Email : [kalpesh.gift@marcellus.in](mailto:kalpesh.gift@marcellus.in)

We confirm that:

- i) The Disclosure Document is drafted as per Regulation 74 of IFSCA (Fund Management) Regulations, 2025 and the guidelines and directives issued by IFSCA from time to time in this regard;
- ii) The disclosures made in the Disclosure Document are true, fair and adequate to enable the investors to make a well-informed decision regarding entrusting the management of their portfolio to us/ investment in the Portfolio Management Services;

For and on behalf of

**Marcellus Investment Managers Private Limited – IFSC Branch**



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**Kalpesh Soni**  
**Principal Officer**

**Date: April 09, 2025**

**Place: Gandhinagar**

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## 1. Disclaimer

The particulars set out in this Disclosure Document have been prepared in accordance with the International Financial Services Centers Authority (Fund Management) Regulations, 2025 as amended from time to time. This Disclosure Document has neither been approved or disapproved by the International Financial Services Centers Authority nor has IFSCA certified the accuracy or adequacy of the contents of this Disclosure Document.

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.

## 2. Description

### (a) History, Present, and Background of the portfolio manager

The Company, having Corporate Identification Number (CIN) U66301MH2018PTC312571, was incorporated on 7<sup>th</sup> August 2018 and has its registered office and Corporate office at 102, First Floor, Boston House, Suren Road, Near 'Western Express Highway' Metro Station, Andheri East, Mumbai 400093. The Company is incorporated with the objective of carrying out portfolio management, investment management and advisory services. The Company has been registered as a Portfolio Manager with Securities and Exchange Board of India (“SEBI”) on October 22, 2018, vide registration No: INP000006183 under SEBI (Portfolio Managers) Regulations, 1993. The Company has established its branch office at Unit No. 431 and 432, Signature Building, Fourth Floor, Block No. 13B, Zone -1, GIFT SEZ, GIFT City, Gandhinagar, Gujarat - 382355. The Branch office is registered with International Financial Services Centres Authority (IFSCA) as a Fund Management Entity (Non-Retail) bearing registration number – IFSCA/FME/IV/037/2022-23 on August 10, 2022.

### (b) Promoters of the portfolio manager, directors and their background

The promoters of the Company have experience in investment research and asset management. The details of the promoters and the directors of the portfolio manager are as below:

Name	Qualification	Brief Experience
Saurabh Mukherjea	Saurabh is educated at the London School of Economics where he earned a BSc in Economics (with First Class Honours) and an MSc in Economics (with distinction in Macro & Microeconomics) from	Saurabh Mukherjea is the Founder and Chief Investment Officer of Marcellus Investment Managers Private Limited.  He was the former CEO of Ambit Capital Private Limited and played a

	<p>the London School of Economics and is also a CFA charter holder.</p>	<p>key role in it's rise as a broker and a wealth manager. Prior to turning around Ambit Capital Private Limited, he was a co-Founder of Clear Capital, a London based small-cap equity research firm which he and his co-founders created in 2003 and sold in 2008. He has written several bestselling books: "Gurus of Chaos" (2015), "The Unusual Billionaires" (2016), "Coffee Can Investing: The low-risk route to stupendous returns" (2018), "The Victory Project: Six Steps to Peak Potential" (2020), "Diamonds in the Dust" (2021), "Unfiltered: The CEO and the Coach" (2023) and "Behold the Leviathan: The Unusual Rise of Modern India (2024)."</p>
<p>Sudhanshu Nahta</p>	<p>Sudhanshu is a qualified Chartered Accountant and a CFA Level 3 candidate. He has completed his graduation in Commerce from Mumbai University.</p>	<p>Sudhanshu is the Portfolio Analyst at Marcellus' India business (non-GIFT). Besides this, Sudhanshu also mentors the Finance Team at Marcellus.</p> <p>Prior to joining Marcellus, he was Executive Assistant to the CEO at Ambit Capital Private Limited and worked in the Institutional Equities' Strategy team. He has also worked with KPMG in the statutory audit team from 2013 to 2016 gaining extensive experience across Indian accounting standards, financial control systems and financial statement analysis &amp; reviews.</p>
<p>Pramod Gubbi</p>	<p>Pramod is CFA charter holder with a B. Tech from Regional Engineering College, Surathkal and a Post-graduate Diploma in Management from the Indian Institute of Management, Ahmedabad.</p>	<p>Pramod leads Sales and Marketing function at Marcellus. Besides being a technology analyst in past, Pramod has served in technology firms such as HCL Technologies and Philips Semiconductors' Indian arm in Business Development and Engineering respectively.</p>

		<p>Prior to joining Marcellus, Pramod was with Ambit Capital Private Limited and in the final two years of his 8-year stint, he was Managing Director &amp; Head of Institutional Equities (from 2016 to 2018). Prior to that he served as the head of Ambit's Singapore office from 2013-2016. Before joining Ambit Capital Private Limited, he has also worked across sales and research functions at Clear Capital, a British equity research firm.</p>
Rakshit Ranjan	<p>Rakshit has a B.Tech from Indian Institute of Technology (Delhi) and is a CFA charter holder.</p>	<p>Rakshit manages the investments under the Consistent Compounder Portfolio Investment Approach. Besides Fund Management, Rakshit actively mentors the Research Team.</p> <p>Rakshit spent 6 years (2005-2011) covering UK equities with Lloyds Bank (Director, Institutional Equity Research) and Execution Noble (Sector Lead analyst). He launched Ambit Capital Private Limited's Coffee Can PMS in March 2017 and managed it till December 2018.</p>
Manish Hemnani	<p>Manish holds an MBA from University of Warwick – Warwick Business School (UK).</p>	<p>Manish is one of the Founders of Marcellus. Manish comes from quantitative data analytics and research background and has more than 12 years of experience working with banks and financial institutions across east-Asia, India and Europe. Prior to founding Marcellus, he founded Crosstab Limited (2011), a London based quantitative data analytics outfit. Prior to that he worked with a Mumbai based boutique analytics consulting firm.</p>
Ashvin Shetty	<p>Ashvin is a B.com graduate from Narsee Monjee College (Mumbai). He is a qualified Chartered Accountant (ICAI India) and Chartered Financial Analyst (CFA Institute, USA).</p>	<p>Ashvin has more than 10 years of experience in equity research. He led the coverage on automobile sector at Ambit Capital from 2010 to 2017. He thereafter worked as a senior analyst for Ambit's Mid and</p>

		Small cap PMS funds till November 2018. Prior to joining Ambit, he worked with Execution Noble as an analyst covering consumer and media space. He has also worked with KPMG's and Deloitte's statutory audit departments from 2004 to 2007 gaining extensive experience across Indian accounting standards and financial statement analysis.
Nitish Bhadani	Nitish is a Chartered Accountant and MBA from the Indian School of Business – Hyderabad.	Nitish worked across Institutional Equities and Investment Banking division of the firm in his 6 years stint in Ambit Capital Private Ltd. Prior to that Nitish worked in the investment team of private equity firm SAIF Partners in Gurgaon. Before joining SAIF, Nitish worked as equity research analyst in CRISIL and used to track Indian Telecom & Cement sector.

**(c) Group company information**

Marcellus Investment Managers Pvt Ltd has majority interest in Marcellus Capital Partners LLP (“MC LLP”), Marcellus Distributors LLP (“MD LLP”) and Marcellus International Investment Managers LLC (“MIIML”) a Delaware based limited liability company. MC LLP is a SEBI regulated investment advisor. Further, MD LLP has invested in Marcellus’ Curation Investment Approach. Marcellus Investment Managers Pvt Ltd is also the investment manager to Marcellus Rising Giants Fund, a SEBI registered Category III Alternate Investment Fund.

**(d) Details of the services being offered by the Portfolio Manager**

The Portfolio Manager intends to offer services of discretionary portfolio management, non-discretionary portfolio management and that of investment advisory as set out in the details provided below. All clients will have the option to be onboarded directly to avail these services, without intermediation of persons engaged in distribution services.

(i) Discretionary Services:

Under these services, the choice as well as the timings of the investment decisions would rest solely with the Portfolio Manager and the Portfolio Manager can exercise any degree of discretion in the investments or management of Assets of the Client. The Securities to be invested by the Portfolio Manager for Clients may differ from Client to Client. The Portfolio Manager’s decision (taken in good faith) in deployment of the Client’s fund’s is absolute and final and can never be called in question or be open to

review at any time during the currency of the Agreement or at any time thereafter except on the ground of fraud, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, Regulations, guidelines and notifications in force from time to time. Statements in respect to Client's Portfolio shall be sent to the respective Client at a frequency not less than as determined by law.

(ii) Non – Discretionary Services:

Under the Non-Discretionary Portfolio Management Services, the portfolio of the Client shall be managed in consultation with the Client and in accordance with the instructions of the Client. Under this service, the Assets will be managed as per express prior instructions issued by the Client from time to time. The Client will have complete discretion to decide on the investment (Stock Quantity and Price or amount). In this case, the Portfolio Manager shall be responsible for *inter alia* managing transaction execution, accounting, recording of corporate benefits, valuation and reporting aspects on behalf of the Client entirely at the Client's risk.

(iii) 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, the same can be binding or non – binding in nature in accordance with the terms mentioned in the Agreement. For such services, the Portfolio Manager shall charge the Client a fee for services rendered as mentioned in the 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.

**3. 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 IFSCA or the directions issued by the IFSCA under the Act or Regulations made there under relating to Fund Management Services.**

None

- (ii) **The nature of the penalty/direction.**

None

- (iii) **Penalties imposed for any economic offence and/or for violation of any securities laws relating to Portfolio Management Services.**

None



- (iv) **Any pending material litigation/legal proceedings against the Portfolio Manager/key personnel with separate disclosure regarding pending criminal cases, if any.**

None

- (v) **Any deficiency in the systems and operations of the Portfolio Manager observed by the IFSCA or any regulatory agency in relation to Portfolio Management Services for which action may have been taken or initiated.**

On December 02, 2019, in response to Company's filing an intimation with SEBI for an inter se transfer of Company's shares between shareholders, SEBI had issued a caution letter advising the Company to take prior approval before making any such transfer in future.

SEBI conducted inspection of books of accounts and records of MIPL, for the period April 2021 to June 2022. SEBI through letter dated August 02, 2023, identified few deficiencies and advised MIPL to exercise caution. MIPL based on the observation has taken corrective measures. The matter is closed.

SEBI conducted an inspection of books accounts and other records of MIPL, for the period April 01, 2022, to September 30, 2023. SEBI through letter dated September 03, 2024, identified one deficiency and advised MIPL to exercise caution. MIPL based on the observation has taken corrective measures. The matter is closed.

- (vi) **Any enquiry/ adjudication proceedings initiated by the SEBI/IFSCA against the portfolio manager or its directors, principal officer or employee or any person directly or indirectly connected with the portfolio manager or its directors, principal officer or employee, under the Act or rules or regulations made thereunder.**

Securities Exchange Board of India (SEBI) had issued a Show Cause Notice: SEBI/HO/EAD-3/JS/OW/P/13577/1/2019 dated 29<sup>th</sup> May 2019 ("SCN") in respect of Mr. Saurabh Mukherjea (in the capacity of the CEO of Institutional Equities, Ambit) in the matter of Mannapuram Finance Ltd. under Rule 4(1) of the SEBI (Procedure for holding Inquiry and Imposing Penalties by Adjudication Officer) Rules, 1995 and Rule 4(1) of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005. On 23<sup>rd</sup> July, 2019 Mr. Saurabh Mukherjea filed an Application for Settlement ("Consent Application") in connection with SEBI. On 29<sup>th</sup> September 2020, SEBI accepted the Settlement Application filed by Mr. Saurabh Mukherjea.

#### **4. Services offered / proposed to be offered**

- 4.1 The Portfolio Management Services to be offered shall be as per the following Investment Approaches:

**(i) Investment approach – Global Compounders**

1. Investment Objective – To generate sustainable returns over medium to long term by making investments which primarily comprise of equity securities.
2. Description of Securities – Under Global Compounders, client monies would primarily be invested in equity shares and equity linked instruments issued by companies which could be listed in any global stock market. Some part of client monies might be invested in units of money market securities, liquid funds or exchange traded funds and/or some part might be retained as cash.
3. Basis of Selection of type of security – The Global Compounders investment approach is based on generating returns by investing in participating instruments of companies which have a proven track record of steady growth in free cashflows through a combination of strong competitive advantages and disciplined capital allocation. Hence, under this investment approach, investments are primarily made in equity shares and equity linked instruments issued by companies listed across the stock exchanges globally. To keep some part of client monies in liquid form, such monies are either invested in units of money market instruments, funds or liquid fund or they are retained in the bank account in form of cash.
4. Allocation of portfolio across types of securities

Type of security	Allocation in portfolio
Equity and equity linked instruments	=>70%
Money market funds / Liquid funds / Bank balance	up to 30%

5. Appropriate Benchmark to compare performance – S&P500 Net Total Return Index
6. Basis for choice of benchmark – Most of the portfolio companies operate in world’s developed economies and many of the portfolio companies are part of S&P500. Further, the portfolio managers reinvest the dividends received unless the client provides instruction for pay-out of dividend. Hence, S&P500 Net Total Return Index has been selected as the benchmark for comparing performance.
7. Minimum investment – The minimum value of Funds/investments which will be accepted towards initial corpus under Global Compounders Investment Approach would be decided by the Portfolio Manager from time to time and the minimum sum will not be less than any amount as may be stipulated by the Regulations from time to time. The uninvested amounts forming part of the Client’s Assets may be at the discretion of the Portfolio Manager 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.

8. Indicative tenure or investment horizon – 3 years to 20 years
9. Minimum tenure – not applicable under this investment approach.
10. Lock-in period – Investments managed under Global Compounders Investment Approach shall not be subject to any lock-in period.
11. Exit loads – There shall be no levy of exit load on withdrawal of monies being managed under this approach.
12. Redemptions / Partial withdrawals – Partial withdrawal shall be allowed only to such extent that portfolio value after recovery of fees, charges and payment of withdrawal amount is not less than the minimum investment specified in Clause 7 of this schedule.
13. Use of derivatives – The Portfolio Manager might transact in derivatives in case it deems it necessary to protect the value of client’s portfolios in periods of market instability. If the client does not want the Portfolio Manager to use derivatives at all in his/her portfolio, then, he/she can mention Derivatives as negative security in Schedule 2 and the Portfolio Manager would be barred from using derivatives in the client’s portfolio.
14. Risks associated with the investment approach – Please refer the paragraph 5 on Risk Factors.

**4.2 The policies for investments in associates/group companies of the Portfolio Manager and the maximum percentage of such investments therein subject to the applicable laws/regulations/ Guidelines**

The Portfolio Manager will not invest the funds of the Clients in any Security of an associate or group companies of the Portfolio Manager.

**4.3 Details of conflicts of interest related to services offered by group companies or associates of the portfolio manager:**

Marcellus Investment Managers Pvt Ltd has majority interest in Marcellus Capital Partners LLP and Marcellus Distributors LLP. Further, Marcellus Distributors LLP has invested in Marcellus’ Curation Investment Approach. Further, MC LLP may provide services similar to the portfolio manager and may invest/divest into same or similar securities as the portfolio manager.

**5. 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, and the Portfolio Manager has no liability for any losses resulting from the Client availing of the Portfolio Management

Services. The following are the current risk factors as perceived by the management of the Portfolio Manager. This list is not intended to be exhaustive in nature and is merely intended to highlight certain risks that are associated with investing in Securities:

- (i) Investment in securities that are traded in stock exchanges outside India are exposed to risks associated with the particular country that stock exchange is situated in. Investing in such securities is significantly risky when compared with Indian securities due to geographical and other issues.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) The past performance of the Portfolio Manager does not indicate its future performance. Clients are not being offered any guaranteed returns.
- (vi) The performance of the Assets of the Client may be adversely affected by the performance of individual Securities, changes in the marketplace and industry specific and macro-economic factors. The investment approach do not in any manner indicate their prospects or returns.
- (vii) 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.
- (viii) 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.
- (ix) The Portfolio Manager may invest in non-publicly offered debt Securities and unlisted equities. This may expose the Client's portfolio to liquidity risks.
- (x) 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.
- (xi) 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.

- (xii) 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.
- (xiii) Re-investment Risk: This risk refers to the interest rate levels at which cash flows received from the Securities under a particular portfolio are reinvested. The additional income from reinvestment is the “interest on interest” component. The risk is that the rate at which interim cash flows can be reinvested may be lower than that originally assumed.
- (xiv) There are inherent risks arising out of investment objectives, investment approach, asset allocation and non-diversification of portfolio.
- (xv) Prepayment risk: there may be unscheduled return of the principal on a particular Security, which may result in a reinvestment risk.
- (xvi) Credit Risk: Credit risk or default risk refers to the risk that an issuer of a fixed income Security may default. Because of this risk corporate debentures are sold at a higher yield above those offered on Government Securities which are sovereign obligations and free of credit risk. Normally, the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well any actual event of default.
- (xvii) The Net Asset Value may be affected by changes in settlement periods and transfer procedures.
- (xviii) Risks related to index linked Securities: Performance of the reference index will have a direct bearing on the performance of the strategy. In the event the reference index is dissolved or withdrawn by the Index Provider; in case of Securities such as debentures, the debenture trustees upon request by the issuer may modify the terms of issue of the debentures so as to track a different and suitable index. Tracking errors are also inherent in any equity linked security and such errors may cause the equity index-linked security to generate returns which are not in line with the performance of the reference index or one or more Securities covered and/or included in the reference index.
- (xix) Currency Exchange Rate Risk: The Client’s portfolio may be heavily influenced by fluctuations in foreign exchange rates since the Client’s portfolio shall be invested in international Securities that are traded in different and multiple jurisdictions. Performance of the Client’s Portfolio may be strongly influenced by movements in foreign exchange rates because currency positions held by the Client’s portfolio may not correspond with the Securities positions held.
- (xx) In case of investments in mutual fund, the Client bear the recurring expenses of the Portfolio Manager in addition to the expenses of the underlying mutual fund schemes. Hence, the Client may receive lower pre-tax returns compared to what the Client may have received had he invested directly in the underlying Securities of the mutual fund schemes.
- (xxi) After accepting the corpus for management, the Portfolio Manager may not get an opportunity to deploy the same or there may be a delay in deployment. In such a situation

the Client may suffer an opportunity loss and the Portfolio Manager shall not be held liable for the same.

- (xxii) Risks associated with investment in equity instruments using Quantitative Analysis/ Quant Model: Some of the Risks attached with Quantitative Analysis are: (i) Market Risk: Like any other equity investments, these are subject to market risk.(ii) Modeling Error: Quant models are subject to price and volume inputs. It is possible that some of these inputs are entered incorrectly. The quant model selected by the Portfolio Manager may not perform as tested; such a scenario is entirely possible and would result in a loss.(iii) Deviation from theoretical model: A quant model is theoretical in nature, however at times the market may act unexpectedly resulting in a loss, the quant model cannot account for any such market behavior. The quant model may initiate a sell signal; however, the stock may not have adequate liquidity at that moment forcing the portfolio manager to further drive down the stock price.
- (xxiii) Spread risk: Investments in corporate bonds are exposed to the risk of widening of the Spread between corporate bonds and gilts. Prices of corporate bonds tend to fall if this spread widens which will affect the Strategy accordingly.
- (xxiv) Liquidity or Marketability Risk: This refers to the ease with which a security can be sold at or near to its valuation yield-to-maturity (YTM). The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer.
- (xxv) Risks related to Special Situations: Special situation trades are subject to all risks under equity; however, in certain cases the risks can be specific as are mentioned: (i) The promoter may choose not to accept the discovered prices (ii) Regulatory hurdles may delay any specific corporate action.
- (xxvi) Risk Associated with Securitized Debt: Securitized debt may suffer credit losses in the event of the delinquencies and credit losses in the underlying pool exceeding the credit enhancement provided. As compared to the normal corporate or sovereign debt, securitized debt is normally exposed to a higher level of reinvestment risk.
- (xxvii) Risk factor specifically while using Options: The Portfolio Manager might buy options to enhance yield. In buying options the profit potential is unlimited, whereas the maximum risk is the premium paid to buy the options. The Portfolio Manager may use Derivatives instruments like equity futures & options, or other Derivative instruments as permitted under the Regulations and guidelines. Usage of Derivatives will expose the strategies to liquidity risk, open position risk, and opportunities risk etc. Such risks include the risk of mispricing or improper valuation and the inability of Derivatives to correlate perfectly with underlying assets, rates and indices. In case of the Derivative strategies, it may not be possible to square off the cash position against the corresponding Derivative position at the exact closing price available in the Value Weighted Average Period.
- (xxviii) Risk factors associated with Derivatives: Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the Investor. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of the strategies to be pursued by the Portfolio Manager involve uncertainty and the decision of Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager will be able to identify or execute such strategies. The risks associated with the use of Derivatives are different from or possibly greater than, the risks associated with investing directly in

- Securities and other traditional investments. Trading in derivatives has the following risks: (i) An exposure to Derivatives in excess of the hedging requirements can lead to losses. (ii) An exposure to Derivatives, when used for hedging purpose, can also limit the profits from a genuine investment transaction. (iii) Derivatives carry the risk of adverse changes in the market price. (iv) Illiquidity Risk i.e., risk that a Derivative trade may not be executed or reversed quickly enough at a fair price, due to lack of liquidity in the market.
- (xxix) The risks of investing in equity instruments include share price falls, receiving no dividends or receiving dividends lower in value than expected. They also include the risk that a company restructure may make it less profitable.
- (xxx) Equity instruments face market volatility risk: Stock market tends to be very volatile in the short term. Even if fundamentals of the underlying companies do not materially change in the short term, volatility in the broader stock market can result in volatility in share prices of stocks forming part of the Client's portfolio
- (xxxii) Equity instruments face fundamental risk: If fundamentals of the companies chosen by the Portfolio Manager deteriorate over time, there is no guarantee or assurance that the Portfolio Manager's analysts and fund managers will be able to identify such deterioration in fundamentals and take appropriate action in a timely manner which could lead to higher volatility and a lower return from the portfolio companies.
- (xxxiii) Equity instruments face macro-economic and geo-political risks: Sudden changes to the macro-economic and geo-political environment within which Portfolio Manager's companies operate, could lead to increase in volatility of share prices of these companies.
- (xxxiiii) Operational and IT Risk: there may be risks related to the exposure to loss due to human error or fraud, or from a system of internal controls that fails to adequately record, monitor and account for transactions or positions. There may also be risks related to hardware and software failure, human error, spam, viruses and malicious attacks, as well as natural disasters such as fires, cyclones or floods and other force majeure events.
- (xxxv) The investment opportunity size may be limited, leading to all investor not getting appropriate/proportionate/optimum allocation than desired. This may lead to less than expected performance of the particular account. Further, if Marcellus or its associates as well participate in such investment opportunities, the opportunity size available to clients might reduce. The investments in securities listed and traded outside India have a different tax treatment as compared to listed securities in India. The tax deduction might be significant as compared to Indian securities and income/gains.
- (xxxvi) Tax risks:
- General Anti - Avoidance Rules and its impact on the Investors/ Portfolio Investments and risks associated with it.

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

April 1, 2017. There is a risk that the Indian tax authorities could challenge any arrangement under the GAAR provisions and the rules thereunder, which could result in additional tax liabilities to the investors.

- Multilateral Convention to implement DTAA related measures to prevent Base Erosion and Profit Shifting ('MLI') and its impact on the Investors/ portfolio investments and risks associated with it

Prospective investors should be aware that on 7 June 2017, several countries signed a multilateral convention implementing tax treaty related measures arising from the OECD's "Action Plan on Base Erosion and Profit Shifting" or "BEPS" initiative. The effect of the multilateral convention will be to amend the terms of existing bilateral tax treaties between the signatory states (once ratified domestically by the relevant states) to introduce either a "principal purpose" or "limitation on benefits" restriction (or, in some cases, both) into the existing tax treaties in force between the signatory states. This could result in additional reporting and disclosure obligations for the investors and/or additional tax being suffered by the investors, which may adversely affect the returns for investors. The Union Cabinet of India issued a press release dated 12 June 2019 approving the ratification of the MLI to implement tax treaty related measures to prevent BEPS. The application of MLI to a tax treaty is dependent on ratification as well as positions adopted by both the countries signing a DTAA.

- Risks associated with change in tax laws, including renegotiation of tax treaties, relevant to the Investors

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

- Income Computation and Disclosure Standards ('ICDS')

Taxability of the income for all taxpayers, following mercantile system of accounting and offering its income to tax under the head 'Profits and gains from business and profession' and 'Income from other sources', needs to be analysed under the ICDS framework.



## 6. Client Representation

The client representation as on 29<sup>th</sup> February 2025:

Category of client	No. of clients	Funds Managed (Rs. Cr)	Discretionary / Non-discretionary (if applicable)
Associate / Group company (Last 3 years)			
Others (Last 3 years)			
As on 31 <sup>st</sup> March 2023	3	4.12	Discretionary
As on 31 <sup>st</sup> March 2024	32	62.91	Discretionary
As on 29 <sup>th</sup> February 2025	90	118.57	Discretionary

Note: The Strategy initiated from 31<sup>st</sup> October 2022

**Disclosure regarding transactions with related parties:**

(a) **Names of enterprises with whom significant influence is exercised:**

Name of Entity	Relationship
Marcellus Capital Partners LLP	Subsidiary
Marcellus Distributors LLP	Subsidiary
Marcellus International Investment Managers LLC	WOS
Marcellis Rising Giants Fund	AIF

(b) **Names of Key Management Personnel**

Mr. Saurabh Mukherjea	Director
Mr. Sudhanshu Nahta	Director
Mr. Pramod Gubbi	Director
Mr. Rakshit Ranjan	Director
Mr. Pankaj Gupta	Chief Financial Officer
Ms. Rashmi Chauhan	Company Secretary

(c) **Names of Relatives of Key Managerial Persons**

Kapildev Verma	Spouse of Rashmi Chauhan
Prasanta Nirmal Mukhopadhyay and Chaitali Mukhopadhyay	Parents of Saurabh Mukherjea
Jayaprakash Gubbi and Dayamaye Prakash	Parents of Pramod Gubbi
Prashanth Gubbi	Brother of Pramod Gubbi
Kewal Krishnan Ranjan and Savita Ranjan	Parents of Rakshit Ranjan

**Related party transaction with directors and KMP in the ordinary course of business:**

**Transaction during the period with related parties: -**

<b>Nature of Transaction</b>	<b>During FY 2023-2024 (Rs. in Lakhs)</b>	<b>During FY 2022-2023 (Rs. in Lakhs)</b>
<b>Remuneration</b>		
Saurabh Mukherjea	111.10	222.29
Sudhanshu Nahta	73.20	73.20
Pramod Gubbi	145.02	145.02
Rakshit Ranjan	136.52	136.52
Pankaj Gupta	56.33	52.48
Rashmi Chauhan	27.19	23.65
Kapildev Verma	24.86	23.65
<b>Reimbursement of expenses (Rs. in Lakhs)</b>		
Saurabh Mukherjea		
Reimbursement Expenses Booked	10.69	14.89
Reimbursement Expenses Paid	9.08	14.60
Sudhanshu Nahta		
Reimbursement Expenses Booked	7.13	57.83
Reimbursement Expenses Paid	9.39	55.57
Pramod Gubbi		
Reimbursement Expenses Booked	3.44	8.71
Reimbursement Expenses Paid	3.44	8.71
Rakshit Ranjan		
Reimbursement Expenses Booked	2.13	5.11
Reimbursement Expenses Paid	2.58	4.51
Rashmi Chauhan		
Reimbursement Expenses Booked	-	
Reimbursement Expenses Paid	-	1.14
Pankaj Gupta		
Reimbursement Expenses Booked	12.55	1.06
Reimbursement Expenses Paid	12.55	1.06
Kapildev Verma		
Reimbursement Expenses Booked	8.50	0.21
Reimbursement Expenses Paid	8.50	0.32
<b>SAR Issued</b>		
Pramod Gubbi	25.42	24.99
<b>ESOP Expenses</b>		
Saurabh Mukherjea	34.74	-
Rashmi Chauhan	3.71	2.90
Kapildev Verma	3.47	2.90
<b>Investment in Subsidiaries Transactions</b>		
Marcellus Capital Partners LLP (Investment)	-	200.00
Marcellus Distributors LLP (Investment)	1500.00	227.43

Nature of Transaction	During FY 2023-2024 (Rs. in Lakhs)	During FY 2022-2023 (Rs. in Lakhs)
<b>Investment Withdrawn from Subsidiaries Transactions</b>		
Marcellus Distributors LLP (Investment)	1500.00	-
<b>Payment Made on behalf of Related Parties</b>		
Marcellus Capital Partners LLP	0.02	33.96
Marcellus Distributors LLP	3.03	0.87
Marcellus Rising Giants Funds	54.00	115.14
<b>PMS Revenue Transaction (Rs. in Lakhs)</b>		
Saurabh Mukherjea	0.81	0.76
Pramod Gubbi	0.56	0.45
Rakshit Ranjan	1.67	1.48
Prasanta Nirmal Mukhopadhyay and Chaitali Mukhopadhyay	0.26	0.08
Dayamaye Prakash	0.85	0.27
Prashanth Gubbi	0.66	0.11
Marcellus Distributors LLP	0.55	0.48
Marcellus Rising Giants Funds	559.74	722.93
<b>Sale of Laptop (Rs in Lakhs)</b>		
Saurabh Mukherjea	0.08	-
Pankaj Gupta	0.08	-
<b>Expenses cross charged to Marcellus Capital Partners LLP (Rs in Lakhs)</b>		
Salary & Incentives	13.71	14.47
Software Subscription	0.48	0.52
Rent	6.21	4.06
Communication Expenses	0.00	0.02
Travelling Expenses	-	1.26
Total	20.40	20.32

(d) (Receivable)/ Payable/ Investment as at Balance sheet date

Particulars	As at March 31, 2024 (Rs. in Lakhs)	As at March 31, 2023 (Rs. in Lakhs)
Directors/KMP Remuneration payable (Gross Amount)		
Saurabh Mukherjea	-	-
Sudhanshu Nahta	-	-
Pramod Gubbi	-	-
Rakshit Ranjan	-	-
Rashmi Chauhan	3.62	3.15
Pankaj Gupta	7.50	6.53

Remuneration Payable to Related Party (Gross Amount)		
Kapildev Verma	2.31	3.15
Reimbursement Payable		
Saurabh Mukherjea	3.23	1.62
Sudhanshu Nahta	-	2.26
Rakshit Ranjan	0.16	0.60
Unbilled Revenue		
Saurabh Mukherjea	0.21	0.19
Rakshit Ranjan	0.37	0.30
Pramod Gubbi	0.15	0.13
Marcellus Rising Giants Funds	105.36	179.48
Prasanta Nirmal Mukhopadhyay and Chaitali Mukhopadhyay	0.07	-
Dayamaye Prakash	0.49	-
Prashanth Gubbi	0.49	0.03
Marcellus Distributors LLP	0.16	0.14
ESOP Outstanding as on 31/03/2024		
Rashmi Chauhan	8.50	4.79
Kapildev Verma	8.25	4.79
Saurabh Mukherjea	34.74	
Receivable from AIF(Payment made on their Behalf)		
Marcellus Rising Giants Funds	1.76	-
Receivable from Subsidiaries (Payment made on their Behalf)		
Marcellus Capital Partners LLP	48.00	33.96
Marcellus Distributors LLP	3.90	0.87
Marcellus Capital Partners LLP (Investment)	200.99	200.99
Marcellus Distributors LLP (Investment)	228.42	228.42

Note: Marcellus is an Investment Manager and Sponsor to Marcellus Capital Trust, a SEBI registered category III Alternate Investment Fund and receives the Management Fees.

#### **Appointment of Custodian**

The Portfolio Manager may appoint a custodian for its Portfolio Management Services.

**7. Financial performance of Portfolio Managers Parent company (based on audited financial statements)**

<b>Particulars</b>	<b>Year ended 31-Mar-2024 (Rs. In Lakhs)</b>	<b>Year ended 31-Mar-2023 (Rs. In Lakhs)</b>
Total Income	14,556.74	14,296.26
Profit / (Loss) for the year	3,078.46	3,014.34
Paid up capital	538.00	538.00
Reserves & surplus	17,991.71	14,625.25
Net worth	18,529.71	15,163.25

**8. Portfolio management performance of the Portfolio Manager**

GLOBAL COMPOUNDERS INVESTMENT APPROACH:

The Global Compounders Investment Approach's is provided below.

<b>Performance (in USD terms)</b>	<b>From October 2022 to March 2025</b>
<b>Marcellus Global Compounders Portfolio</b>	22.18%
<b>S&amp;P500 Net Total Return Index</b>	17.48%

**9. Audit Observation of last 3 preceding years**

Marcellus Investment Managers Private Limited was incorporated on 7<sup>th</sup> August 2018 and therefore year ended March 2019 was its first financial year of operation. In the audit conducted by Marcellus Investment Managers Private Limited's statutory auditor for the financial year ended March 2019, March 2020, March 2021, March 2022, March 2023 and March 2024 the auditor has no audit observations.

**10. Nature of Expenses**

**The nature of expenses will be as specified in the Annexure hereto.**

(i) Portfolio Management Fee:

Global Compounders

Portfolio Management Fee charged may be a Fixed Fee or a return-based fee (Performance Fee) or a combination of both. Fixed fees charged to clients will range from 10 BPS to 250 BPS per annum. The Portfolio Manager also intends to charge Performance Fees which will kick in after a Hurdle Rate of Return ranging from 6% (six percent) to 12% (twelve percent) per annum is achieved. The Portfolio Manager intends to claim between 10%-40% (ten percent to forty percent) of the upside generated over and above the Hurdle Rate of Return agreed with the Client. All specifics of Portfolio Management Fee for an Investment Approach would be agreed with each Client and set out in more detail in the Fee Schedule of the Marcellus DPMS Agreement.

(ii) Custodian fee

These charges relate to the opening and maintenance of Depository Accounts and/or custody fee and charges paid to the Custodian and/or Depository Participant, dematerialization of scrips, Securities lending and borrowing and their transfer charges in connection with the operation and management of the Client's portfolio account and is expected to be in the range of 1-25 BPS.

(iii) Fund accounting charges: Up to 5 BPS.

(iv) Brokerage and transaction cost

These are amounts payable to the broker for opening of an account, execution of transactions on the stock exchange or otherwise for the transfer of Securities and may inter alia include service charges, stamp duty costs, GST, STT etc. and is expected to be in the range of 10 BPS.

(v) Goods and Service Tax: As applicable from time to time, charged over and above all fees and charges billed to the Client.

(vi) Depository Charges: As may be applicable from time to time.

(vii) Bank and forex conversion Charges: As may be applicable at actuals.

(viii) Stamp duty: As may be applicable at actuals.

(ix) Legal costs and professional fees: Costs incurred for documentation, certifications, attestation and instituting or defending legal suits, audit fees and other similar charges.

**11. List of third-party service providers whose services are being used by Portfolio Manager for the proposed Portfolio Management Service.**

Sr. No.	Name of the service provider	Nature of services provided
1	Kotak Mahindra Bank Limited	Banking services
2	Interactive Brokers LLC	Broking, Custodian Services & Depository Services
3	ICICI Bank Limited	Banking Services

**12. Taxation**

The general information stated below is based on the general understanding of direct tax laws in force in India as of the date of the Disclosure Document and is provided only for general information to the Client only vis-à-vis the investments made through the Portfolio Management Services of the Company. This information gives the direct tax implications

on the understanding that the securities are/will be held for the purpose of investments as capital asset. In case the securities are held as stock-in-trade, the tax treatment will substantially vary and the issue whether the investments are held as capital assets or stock-in-trade needs to be examined on a case-to-case basis. There is no guarantee that the tax position prevailing as on the date of the Disclosure Document/the date of making investment shall endure indefinitely.

Further, the statements with regard to benefits mentioned herein are expressions of views and not representations of the Company to induce any client, prospective or existing, to invest in the portfolio management services of the Company. Implications of any judicial decisions/ double tax avoidance treaties etc. are not explained herein. The Client should not treat the contents of this section of the Disclosure Document as advice relating to legal, taxation, investment or any other matter. In view of individual nature of the tax benefits, interpretation of circulars for distinguishing between capital asset and trading asset, etc., the Client is advised to best consult its or his or her own tax consultant, with respect to specific tax implications arising out of its or his or her portfolio managed by the Company.

It is the responsibility of all prospective clients to inform themselves as to any income tax or other tax consequences arising in the jurisdictions in which they are resident or domiciled or have any other presence for tax purposes, which are relevant to their particular circumstances in connection with the acquisition, holding or disposal of the securities.

Tax rates provided herein are based on the assumption that investment shall be made on securities listed stock exchange outside India.

The following summary is based on the law and practice of the Income-tax Act, 1961 (the “**IT Act**”), the Income-tax Rules, 1962 (the “**IT Rules**”) and various circulars and notifications issued thereunder from time to time. The IT Act is amended every year by the Finance Act of the relevant year and this summary reflects the amendments as per the Finance Bill, 2023 for financial year (‘FY’) 2023-24 (assessment year 2024-25) and are inclusive of surcharge and education cess as applicable, unless specified otherwise.

## **I. Taxation in hands of Clients**

### *A. Characterization of income*

Traditionally, the issue of characterization of exit gains (whether taxable as business income or capital gains) has been a subject matter of litigation with the Indian Revenue authorities. There have been judicial pronouncements on whether gains from transactions in securities should be taxed as ‘business income’ or as ‘capital gains’. However, these pronouncements, while laying down certain guiding principles have largely been driven by the facts and circumstances of each case.

Regarding characterization of income from transactions in listed shares and securities, the Central Board of Direct Taxes (“**CBDT**”) had issued a clarificatory

Circular No. 6 of 2016 dated February 29, 2016, wherein with a view to reduce litigation and maintain consistency in approach in assessments, it has instructed that income arising from transfer of listed shares and securities, which are held for more than twelve months would be taxed under the head 'Capital Gains' unless the tax-payer itself treats these as its stock-in-trade and transfer thereof as its business income.

In the context of transfer of unlisted shares, the CBDT has issued a clarification vide Instruction No. F.No. 225/12/2016/ITA.II dated May 2, 2016 stating that income arising from transfer of unlisted shares would be considered under the head 'Capital Gains' irrespective of the period of holding with a view to avoid dispute/ litigation and to maintain uniform approach. However, the above shall not apply in the following cases:

- The genuineness of 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.

The below tax rates have been provided on the assumption that the investments are held by the investors as capital asset.

**B. Taxation of Resident investors**

The tax implications in the hands of resident investors on different income streams are discussed below:

a) Dividend income

Dividend income is taxable at the rates applicable to the respective assesseees as follows:

<b>Dividend income received by</b>	<b>Tax Rate for the domestic investors</b>
Resident companies	34.944%/ 29.12%/ 25.17%/ 17.16%
Firms / LLPs	34.944%
Others	As per applicable slab rates, maximum being 35.88%

No deduction shall be allowed from dividend income other than interest expense to the extent of 20% of the dividend income. If the said dividend is



taxed in the source country, subject to the conditions specified in the tax treaty entered into between India and source country and provisions pertaining to foreign tax credit (explained below) under the IT Act and IT Rules, the assessee may be able to claim a credit of taxes paid in the source country, while making payment of taxes in India.

b) Interest income

Under the IT Act, interest income should be taxable in the hands of the resident investors as under:

Interest income received by	Tax Rate for the domestic investors
Resident companies	34.944%/ 29.12%/ 25.17%/ 17.16%
Firms / LLPs	34.944%
Others	As per applicable slab rates, maximum being 42.744%

Where the new tax slab rates proposed as per Finance Bill 2023 are considered, the highest rate of tax shall be 39%.

c) Capital gains

Assuming the gains arising from sale of capital assets such as shares, and securities is characterised as capital gains in hands of the resident Client, such Client shall be liable to pay taxes on capital gains income as under:

i. Period of holding

Capital assets are classified as long-term assets (“**LTCA**”) or short-term assets (“**STCA**”), based on the period of holding of these assets. The period of holding of the asset is computed from the date of acquisition to the date of transfer. Depending on the period of holding for which the shares and securities are held, the gains would be taxable as short-term capital gains (“**STCG**”) or long-term capital gains (“**LTCG**”). This is discussed below:

Nature of foreign asset	STCA	LTCA
For shares of companies	Held for not more than 24 months	Held for more than 24 months
For assets other than those specified above	Held for not more than 36 months	Held for more than 36 months

ii. Taxation of capital gains

Depending on the classification of capital gains, the resident investors would be chargeable to tax as per the IT Act as under:

<b>Nature of Income</b>	<b>Tax rate for investors who are resident companies</b>	<b>Tax rates for resident Individuals / HUF / AOP / BOI</b>	<b>Tax rates for other residents (Firms, LLPs)</b>
STCG on securities	34.94%/ 29.12%/ 25.17%	42.74%/ 39%	34.94%
LTCG on transfer of securities (other than bonds and debentures)*	22.88%/ 23.30%	23.92%	23.30%
LTCG on transfer of bonds and debentures	22.88%/ 23.30% (without indexation)	23.92% (without indexation)	23.30% (without indexation)

\*Computation mechanism and indexation benefit needs to be evaluated.

iii. Foreign Tax Credit:

India has entered into double taxation avoidance agreements with many countries. The treaties allocate the taxing rights between the source country and the resident country. Many tax treaties contain the provisions that the capital gains arising from the alienation of shares of a company shall be taxable in the source country. Thus, the capital gains arising to a person resident of India from the transfer of foreign shares shall be taxable both in the foreign country (on basis of source rule) and in India (on basis of residence rule). However, the foreign tax credit can be claimed in the country of residence for the taxes paid in the source state based on the foreign tax credit provisions under the IT Act and IT Rules.

As per Section 90(2) of the IT Act, the provisions of the IT Act would apply to the extent they are more beneficial than the provisions of the Double Taxation Avoidance Agreement ("Tax Treaty") between India and the country of source. However, no assurance can be provided that the Tax Treaty benefits would be available to the resident investor or the terms of the Tax Treaty would not be subject to amendment or reinterpretation in the future.

Where the income from foreign shares is taxable in both the countries (resident country and the source country) and the assessee has paid tax in the source country, he shall be allowed a credit for the same in the country of residence, by way of deduction or otherwise. The credit shall be allowed in the year in which assessee offered such income to tax or assessed to tax in India. A resident taxpayer shall be required to furnish a statement of income offered to tax and the foreign tax which has been deducted or paid

on such income to claim the credit. Such statement shall be furnished in Form No. 67 electronically on or before the due date for furnishing return of income.

C. *Taxation of Non-resident investors*

A non-resident investor would be subject to taxation in India only if being a non-resident in India, it derives (a) Indian-sourced income; or (b) if any income is received / deemed to be received in India; or (c) if any income has accrued / deemed to have accrued in India in terms of the provisions of the IT Act.

Exemption to non-resident investors

Regarding taxability of the non-resident investors, under Section 10(4G) of the IT Act any income received by a non-resident from portfolio of securities or financial products or funds, managed or administered by any portfolio manager on behalf of such non-resident, in an account maintained with an Offshore Banking Unit in any International Financial Services Centre, to the extent such income accrues or arises outside India and is not deemed to accrue or arise in India, shall be tax exempt in India and no tax shall be payable on such income.

Other aspects

**I. Minimum Alternate Tax**

The IT Act provides for levy of Minimum Alternate Tax ('MAT') on corporates if the tax amount calculated at the rate of 15% (plus applicable surcharge and cess) of the book profits, as the case may be, is higher than the tax amount calculated under the normal provisions of the IT Act. Corporate assessees operating in International Financial Services Centre ('IFSC') shall be charged MAT at the concessional rate of 9%.

For domestic companies exercising option to pay tax at the rate of 22% (plus applicable surcharge and cess), MAT provisions do not apply.

The MAT provisions are not applicable to a non-resident if, (a) the assessee is a resident of a country with which India has DTAA and the assessee does not have a permanent establishment in India; or (b) the assessee is a resident of a country with which India does not have a Tax Treaty and is not required to seek registration under the Indian corporate law.

**II. Alternate Minimum Tax**

AMT at the rate of 18.5% (plus applicable surcharge and cess) is applicable to persons, other than companies except in cases where option referred to in section 115BAC or section 115BAD of the Act are exercised, subject to certain exceptions, on the adjusted total income if the tax amount so calculated under AMT is higher than the tax amount calculated under the normal provisions of the IT Act. Further, non-corporate assessees

operating in International Financial Services Centre ('IFSC') and which derives its income solely in convertible foreign exchange shall be charged AMT at the concessional rate of 9%.

Assessees opting for lower tax regime under section 115BAC or section 115BAD will not be required to pay AMT.

### **III. TCS on remittance made via liberalised remittance scheme ('LRS') route**

Under clause (a) of section 206C(1G) of the IT Act, an authorised dealer who receives an amount for remittance out of India from a buyer, being a person remitting such amount out of India under LRS, shall at the time of debiting the amount payable by the buyer or at the time of receipt of such amount from the said buyer (by any mode) whichever is earlier, collect from the buyer TCS @ 5%. The TCS to be collected by an authorised dealer from the buyer shall be equal to 5% of the amount or aggregate of the amounts in excess of INR 7 lakh remitted by the buyer in a financial year, where the amount being remitted is for a purpose other than purchase of overseas tour program package.

For the purposes of the above provisions authorised dealer means a person authorised by the Reserve Bank of India under sub-section (1) of section 10 of the Foreign Exchange Management Act, 1999 (42 of 1999) to deal in foreign exchange or foreign security.

The Finance Bill 2023 proposed to increase the rate of TCS to be collected on LRS remittances under the above provisions from 5% to 20% and amended the provisions to remove the threshold of INR 7 lakh. As announced in budget 2024, from the 1<sup>st</sup> October 2024, employees can claim the TCS credit against TDS deductions on their salary.

### **IV. Carry-forward of losses and other provisions:**

In terms of Section 70 read with Section 74 of the IT Act, short term capital loss arising during a year can be set-off against short term as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during the subsequent 8 assessment years. A long-term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during the subsequent 8 assessment years.

### **V. General Anti Avoidance Rule ("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) tests mentioned below:

- a. Creates rights or obligations which are ordinarily not created between parties dealing at arm's length;
- b. It results in direct / indirect misuse or abuse of the IT Act;

- c. It lacks commercial substance or is deemed to lack commercial substance in whole or in part; or
- d. It is entered into or carried out in a manner, which is not normally employed for bona fide business purposes.

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

- a. Disregarding or combining or re-characterizing any step of the arrangement or party to the arrangement;
- b. Ignoring the arrangement for the purpose of taxation law;
- c. 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;
- d. Looking through the arrangement by disregarding any corporate structure; or
- e. Reallocating and re-characterizing equity into debt, capital into revenue, etc.
- f. Disregarding or treating any accommodating party and other party as one and the same person;
- g. Deeming persons who are connected to each other parties to be considered as one and the same person for the purposes of determining tax treatment of any amount.

The above terms should be read in the context of the definitions provided under the IT Act. The GAAR provisions shall be applied in accordance with such guidelines and subject to such conditions and manner as may be prescribed.

The provisions of GAAR are applicable with effect from financial year 2017-18 and onwards.

## **VI. Multilateral Instrument ('MLI')**

The Organization of Economic Co-operation and Development ('OECD') released the Multilateral Convention to implement Tax Treaty related measures to prevent Base Erosion and Profit Shifting.

The MLI, amongst others, includes a "principal purpose test", wherein Tax Treaty benefits can be denied if one of the principal purpose of an arrangement or a transaction was to, directly or indirectly, obtain tax benefit. The MLI has also expanded the scope of permanent establishment to include agent (excluding an independent agent) playing principal role, leading to routine conclusion of contracts without material modification. For this purpose, an agent is not considered independent if it acts exclusively or almost exclusively on behalf of one or more closely related enterprises.

India has been an active participant in the entire discussion and its involvement in the BEPS project has been intensive. In a ceremony held in Paris on 7 June 2017, various countries including India, signed the MLI.

The Union Cabinet of India issued a press release dated 12 June 2019 approving the ratification of the MLI to implement tax treaty related measures to prevent BEPS. The application of MLI to a tax treaty is dependent on ratification as well as positions adopted by both the countries signing a tax treaty.

On 9 August 2019, India had notified the provisions of Multilateral Convention under section 90(1) of the IT Act and has specified the date of entry into force as 1 October 2019.

In order to prevent the granting of tax treaty benefits in inappropriate circumstances and to align it with the Multilateral Convention to implement Treaty related measures to prevent Base Erosion and Profit Shifting, the Finance Act, 2020 has amended Section 90(1) to provide that the Central Government shall enter into agreement(s) for the avoidance of double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty shopping arrangements aimed at obtaining reliefs provided in the said agreement for the indirect benefit to residents of any other country or territory).

Once MLI evolves in future, one would need to analyse its impact at that point in time on the existing tax treaties that India has entered into with other countries.

## VII. GST

Goods and Service Tax (GST) will be applicable on services provided by the Company to investors. Accordingly, GST at the rate of 18% would be levied on fees if any, payable towards portfolio management fee to the Company. However, in respect of International Financial Services Centre ('IFSC'), there is a relaxation in respect of levy of GST on transactions carried out in IFSC exchanges, and on services provided to offshore investors. Services provided to resident investors from IFSC are subject to GST at the rate of 18%.

## VIII. TAX RATES

The tax rates applicable to different categories of assesses are as follows:

Resident individual & HUF <sup>1</sup>	30% + surcharge &cess
Partnership Firms & Indian Companies ( <i>other than specified companies below</i> ) Indian Companies having turnover less than	30% + surcharge &cess
INR 400 crore during the financial year 2021-22	25% + surcharge &cess <sup>1</sup>
Company opting for section 115BAA	22% + surcharge & cess
Company opting for section 115BAB	15% + surcharge & cess
Non-resident Indians	30% + surcharge & cess
Foreign companies	40% + surcharge & cess

<sup>1</sup> For ease of reference, the old tax slab rates for individuals are provided below:

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<sup>1</sup> As proposed vide Finance Bill 2023

Total Income	Tax rates
Up to INR 2,50,000	Nil
From INR 2,50,001 to INR 5,00,000	5%
From INR 5,00,001 to INR 10,00,000	20%
INR 10,00,001 and above	30%

The Finance Bill, 2024 has proposed the insertion of section 115BAC(1A) under the IT Act which introduces revised slab rates and such revised slab rates shall be considered to be the default slab rates. The proposed slab rates under section 115BAC(1A) of the IT Act are as follows:

Total Income	Tax rates
Up to INR 3,00,000	Nil
From INR 3,00,001 to INR 7,00,000	5%
From INR 7,00,001 to INR 10,00,000	10%
From INR 10,00,001 to INR 12,00,000	15%
From INR 12,00,001 to INR 15,00,000	20%
INR 15,00,001 and above	30%

The aforesaid rates would be considered as default rates for succeeding AYs unless an option is exercised under proposed Section 115BAC(6) of the IT Act (proposed to be inserted by Finance Bill 2024) for availing tax rates under old regime. The option to shift out of the regime under Section 115BAC(1A) of the IT Act can be exercised only once by a taxpayer earning business/profession income. However, a person not having income from business or profession shall be able to exercise this option every year. Income tax payable would be computed without allowing any exemption or deduction subject to certain specified exceptions. As per Finance Bill, 2023, in case of Individuals/HUFs opting for taxation as per the lower slab rates prescribed under section 115BAC(1A) of the IT Act, the rate of surcharge applicable on the amount of income-tax shall not exceed 25% and consequently, the highest tax rate applicable to such persons would be 39.00% instead of the erstwhile 42.74%.

Surcharge rates:

Particulars	Surcharge rate
Domestic companies (other than those opting for tax rate under section 115BAA and section 115BAB of the IT Act):	
Total income exceeding INR 1 crore but not exceeding INR 10 Crores	7%
Total income exceeding INR 10 Crores	12%
Domestic companies opting for tax rate under section 115BAA and section 115BAB of the IT Act	
Resident firms and LLPs	
Total income exceeding INR 1 Crore	12%
Other Assessees (i.e., Individuals/HUFs/AOPs/BOIs):	

Total income exceeding INR 50 lakh but not exceeding INR 1 Crore	10%
Total income exceeding INR 1 Crore but not exceeding INR 2 Crores	15%
Total income exceeding INR 2 Crores but not exceeding INR 5 Crores	25%*
Total income exceeding INR 5 Crores	37%*
Foreign companies:	
Total income exceeding INR 1 Crore but not exceeding INR 10 Crores	2%
Total income exceeding INR 10 Crores	5%

\*In case where the total income includes, inter alia, dividends or long term capital gain of the Act, the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed 15%. In case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15%.

Further, Health and Education Cess at the rate of 4% shall be leviable on aggregate of tax and surcharge.

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

### 13. Accounting Policies

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

- (i) **Recognition:** The Portfolio Manager shall follow accrual-based accounting policies in conformation with generally accepted accounting principles for fund management in India.
- (ii) **Client Accounts:** The investments under the Portfolio Management Service (PMS) are made on behalf of and in the respective names of the Clients. Hence separate bank accounts and demat accounts may be opened in the name of the Clients which are operated by the Portfolio Manager duly authorized for this purpose by a Power of Attorney. As the amount received under PMS and the corresponding investments are made on behalf of the Clients, they are not reflected in the balance sheet of the Portfolio Manager.
- (iii) **Income Accrual:** Dividends on shares and units in mutual funds shall be accounted on ex-dividend date, interest, stock lending fees earned etc., shall be accounted on receipt basis. The interest on debt instruments shall be accounted on receipt basis.
- (iv) **Cost of Investments:** Purchase/Sale consideration will be calculated by applying the "weighted average cost" method. The cost of investments acquired or purchased shall include brokerage, stamp charges and any charge customarily included in the broker's



contract note. In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment.

(v) **Portfolio Management Fees:**

Portfolio management fees could include a fixed management fee and a variable performance fee. The amount of fixed and variable fees will be as agreed with the client and defined in the Agreement. Issues related to the frequency at which fees are charged and how they are calculated will also be as defined in the Agreement with each individual client. The performance fees as agreed with the client in the Agreement will be based on returns over a hurdle rate as agreed in the Agreement, with a high watermark. Performance fees will be charged on performance over the hurdle rate. Any costs and expenses of trading or otherwise shall be as detailed in the Agreement.

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.

**14. Investors Services**

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

Name of the person	Ms. Ekta Shukla
Address	Unit no. 431 and 432, Signature Tower, Fourth Floor, Block No. 13B, Zone -1, GIFT SEZ, GIFT City, Gandhinagar - 382355
Email	ekta.gift@marcellus.in
Telephone	<a href="tel:0806-9199-400">0806-9199-400</a>

(ii) Grievance redressal and dispute settlement mechanism:

- 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 a complaint with IFSCA.
- Grievances, if any, that may arise pursuant to the Agreement entered into shall as far as possible be redressed through the administrative mechanism by the Portfolio Manager and are subject to IFSCA (Fund Management) Regulations 2025 and any amendments made thereto from time to time. However, all 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 Client remains dissatisfied with the remedies offered or the stand taken by the Portfolio Manager, the Client 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 in accordance with the provisions of the Arbitration and Conciliation Act, 1996 or any amendment thereof. Such arbitration proceedings shall be held in Mumbai and the process as described in the Agreement or any Supplemental Agreement thereto shall be followed.

- The IFSCA vide IFSCA Circular F. No. IFSCA-LPRA/3/2024-Legal and Regulatory Affairs dated December 2, 2024 titled “Complaint Handling and Grievance Redressal by Regulated Entities in the IFSC” has provided a mechanism for handling of complaints and redressing the grievances of consumers for all entities regulated by the IFSCA. If client is not satisfied with the decision of the FME and has exhausted the appellate mechanism of the FME, client may file a complaint before the IFSCA through email to grievance-redressal@ifsc.gov.in preferably within 21 days from the receipt of the decision from the regulated entity i.e. FME.

## **15. GENERAL PROVISION**

The Prevention of Money Laundering Act, 2002 (PMLA Act) came into force with effect from July 1, 2005, forming the core of the legal framework to combat money laundering. The International Financial Services Centres Authority issued guidelines on Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer in November, 2022. As per the provisions of the IFSCA AML Guidelines, Regulated entity, have certain obligations regarding verification of the identity of their clients, maintaining records and furnishing information to the Financial Intelligence Unit–India (FIU-IND). IFSCA vide its various circulars issued has directed all regulated entities to formulate and implement policies and procedures for dealing with money laundering and adoption of ‘Know Your Customer’ (KYC) Policy. The client should ensure that the amount invested in the Portfolio Management Service is through legitimate sources only and does not involve and is not designed for the purpose of any contravention or evasion of any Act, Rules, Regulations, Notifications or Directions of the provisions of the PMLA Act, the Prevention of Money Laundering Rules, 2005, Income Tax Act, IFSCA Anti Money Laundering Guidelines, Prevention of Corruption Act, Act or any other applicable laws enacted by the Government of India from time to time.


The Portfolio Manager reserves the right to take all steps and actions, including recording clients telephonic calls and/or obtaining and retaining all documentation for establishing the identity of the Client, proof of residence, source of funds etc. in accordance applicable law from the client and/or the custodian as may be required to ensure appropriate identification/verification and re-verification of the Client, the course of fund etc. under its KYC policy as may be amended and updated from time to time. If at any time the Portfolio Manager believes that the transaction is suspicious in nature in accordance with applicable law, the Portfolio Manager shall have the absolute discretion to report the transaction to FIU-IND and/or any other statutory body that the Portfolio Manager is bound to report to from time to time. The Portfolio manager can also reject any application, freeze the account, compulsorily close the Client account and pay out the proceeds to the Client,

at its option. The Portfolio Manager shall have no obligation to inform the Client or its agent/power of attorney holder in the event of such reporting.

The Portfolio Manager and its directors, employers, officers, agents and persons acting on its behalf shall not be responsible/liable for any loss suffered by the Client in any manner whatsoever due to any reporting to the FIU-IND by the Portfolio Manager, the rejection of any application or freezing or compulsory closure of any Client account or termination of the Agreement due to any non-compliance by the Client with the provisions of any applicable law, rule, regulation, KYC policy and/or where the Portfolio Manager has reported a suspicious transaction to FIU-IND.

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 for Portfolio Management Services.

**For, Marcellus Investment Managers Private Limited – IFSC Branch**

<b>Kalpesh Soni</b> <b>Principal Officer</b>	
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**Place: Gandhinagar**

**Date: April 09, 2025**