

**FORM C**

**SECURITIES AND EXCHANGE BOARD OF INDIA (PORTFOLIO MANAGERS) REGULATIONS,  
2020**

*[Regulation 22]*

**QUEST INVESTMENT ADVISORS PRIVATE LIMITED  
(SEBI Registration No.: INP000001421)**

188/3, Gurukrupa Building, 1<sup>st</sup> Floor,  
Jain Society, Next to Jain Temple,  
Sion (West), Mumbai – 400 022  
Tel/Fax: 2407 0493 / 2402 1586  
e-mail: quest@questinvest.com  
Website: www.questinvest.com  
CIN: U65990MH1992PTC066602

We Confirm that:

- i) the Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Board from time to time;
- ii) the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us / investment through the Portfolio Manager.
- iii) the Disclosure Document has been duly certified by an independent firm of Chartered Accountants M/s. Deloitte Haskins & Sells, (requisite details are given below) on September 30, 2020.

|                  |  |
|------------------|--|
| Name             | Deloitte Haskins & Sells, Chartered Accountants  |
| Registration No. | 117365W  |
| Address          | 19 <sup>th</sup> Floor, Shapath – V,<br>S.G. Highway,<br>Ahmedabad – 380015<br>Gujarat |
| Phone No.        | +91 79 6682 7300   |

For Quest Investment Advisors Private Limited

Sd/-

Principal Officer  
(Bharat Sheth)

188/3, Gurukrupa Building, 1<sup>ST</sup> Floor, Jain Society,  
Next to Jain Temple, Sion (West), Mumbai – 400 022

Date: December 14, 2020

Place: Mumbai

**DISCLOSURE DOCUMENT**

*(As required under Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020)*

- (i) The Document has been filed with the Board along with the certificate in the specified 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 decisions for engaging Quest Investment Advisors Pvt. Ltd. as a Portfolio Manager.
- (iii) The necessary information about the Portfolio Manager, required by an investor before investing, is provided in the Document and the investor is advised to retain the Document for future reference.
- (iv) The details of Principal Officer designated by the portfolio manager are as under:
- |                |   |
|----------------|---|
| Name:          | Mr. Bharat Sheth  |
| Address:       | 188/3, Gurukrupa Building, First Floor,<br>Jain Society, Next to Jain Temple,<br>Sion (West), Mumbai – 400 022. |
| Telephone No.: | 91 22 2407 0493/2402 1586   |
| E-mail:        | quest@questinvest.com   |
- (v) This disclosure document is dated December 14, 2020, being the date of approval of this document by the Board of Directors and contains information as of September 30, 2020.

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**1) Disclaimer clause:**

This Document has been prepared by the management of Quest Investment Advisors Private Limited in accordance with the SEBI (Portfolio Manager) Regulations, 2020 and has been submitted to SEBI as required under the aforesaid provisions, such submission to SEBI should not be considered as approval or disapproval by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the Document.

**2) Definitions:**

**(i) Definitions:**

| TERM                   | DESCRIPTION   |
|------------------------|---|
| Agreement              | Means Agreement executed between the Portfolio Manager and its Client for providing Portfolio Management Services and shall include all schedules and annexures attached thereto and any amendments made to this Agreement by the parties in writing.   |
| Advisory Services      | Means the non-binding investment advisory services rendered by the Portfolio Manager to the client.   |
| Bank Account           | Means one or more deposit or other accounts opened in name of Portfolio Manager or Clients, maintained and operated by the Portfolio Manager with any of the Scheduled Commercial Banks in respect of the funds placed by the Clients.  |
| Board of Directors     | The Board of Directors of Quest Investment Advisors Private Limited   |
| Client                 | Means any Body Corporate, Partnership Firm, Individual, HUF, Association of Persons, Body of Individuals, Trust, Statutory Authority, LLPs or any other person residing/incorporated in India or outside India and who enters into an Agreement with the Portfolio Manager for managing its Portfolio / Funds.      |
| Companies Act          | The Companies Act, 2013 read with the Companies Act, 1956, as amended from time to time.  |
| Custodian              | A Custodian registered with SEBI under SEBI (Custodian of Securities) Regulations, 1996, as amended from time to time.  |
| Depository             | A depository registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996 as amended from time to time.  |
| Depositories Act       | The Depositories Act, 1996 as amended, from time to time.   |
| Depository Participant | A Depository Participant as defined under the Depositories Act, 1996, as amended from time to time.   |
| Disclosure Document    | This Disclosure Document for offering Portfolio Management Services prepared in accordance with Securities and Exchange Board of India (Portfolio Manager) Regulations, 2020, as amended from time to time  |
| Equity Shares          | Equity shares of a listed (Listed on BSE/ NSE) / unlisted company.  |
| FII                    | Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulation, 1995) registered with Securities and Exchange Board of India under applicable laws in India.  |
| Funds                  | Means the monies managed by the Portfolio Manager on behalf of the Client pursuant to this Agreement and any further monies placed by the Client, the proceeds of the sale of the Portfolio and interest, dividend or other sums arising from the assets, so long as the same are managed by the Portfolio Manager. |

|   |   |
|---|---|
| Indian GAAP   | Generally Accepted Accounting Principles in India   |
| I. T. ACT   | The Income Tax Act, 1961, as amended from time to time.   |
| Memorandum / Memorandum of Association  | The Memorandum of Association of Quest Investment Advisors Private Limited.   |
| NRI / Non Resident Indian   | Non-Resident Indian is a person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian Origin under FEMA (transfer or offer of security by a person resident outside India) Regulations, 2000.   |
| Portfolio Manager   | Portfolio Manager Means Quest Investment Advisors Private Limited, having SEBI Registration No. as INP000001421 for the purpose of this document having registered office at 188/3, Gurukrupa Building, 1st Floor, Jain Society, Next to Jain Temple, Sion (West), Mumbai – 400 022.  |
| Portfolio   | Means Securities and / or Funds managed by the Portfolio Manager on behalf of the Client pursuant to an Agreement and includes any Securities and / or Funds further placed by the Client for being managed pursuant to the Agreement and also includes Securities acquired by the Portfolio Manager through investment of Funds, bonus / rights shares in respect of Securities forming part of the Portfolio and includes any accruals arising from investment of Portfolio.  |
| Promoters   | Mr. Ajay Sheth and Mrs. Bina Sheth  |
| “QIAPL” or “The Company” or “Our Company” or “Quest Investment Advisors Private Limited” or “Quest” | Quest Investment Advisors Private Limited, a private limited company incorporated under the Companies Act, 1956 including successors, assigns.  |
| RoC   | Registrar of Companies, Maharashtra, located at Mumbai.   |
| SEBI/Board  | The Securities and Exchange Board of India constituted under the SEBI Act, 1992.  |
| SEBI Act  | Securities and Exchange Board of India Act, 1992, as amended from time to time  |
| SEBI Regulations  | Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, .  |
| Securities  | Means shares (whether dematerialized or otherwise), scrips, stock, Central Government securities, bonds, negotiable instruments including usance bills of exchange, trade bills, deposits or other money market instruments, rights, warrants, convertible debentures, non-convertible debentures, unsecured redeemable non-convertible bonus debenture, fixed return investments, floating rate instruments, equity shares and equity linked instruments or other marketable securities of a like nature in or of any incorporated company or other body corporate, derivative instruments, options, futures, swaps, commercial paper, certificates of deposits, units issued by Unit Trust of India and mutual funds, mortgage backed or other asset backed securities issued by any institution or corporate, cumulative convertible preference shares issued by any company incorporated in India and securities issued by the Central Government or a State Government or any other securities that may be issued from time to time. |

“We” “Us” “Our”

Unless the context otherwise requires, refers to as Quest Investment Advisors Private Limited.

**(ii) Abbreviations:**

| <b>Abbreviation</b> | <b>Full Form</b>   |
|---------------------|--|
| BSE                 | Bombay Stock Exchange Ltd., Mumbai                             |
| DP                  | Depository Participant   |
| FEMA                | Foreign Exchange Management Act                                |
| FIMDA               | Fixed Income Money Market and Derivatives Association of India |
| GOI                 | Government of India  |
| NAV                 | Net Asset Value  |
| NSE                 | National Stock Exchange of India Ltd.                          |
| PMS                 | Portfolio Management Service                                   |
| SEBI                | The Securities and Exchange Board of India                     |

Words and expressions used in this Disclosure Document and not defined shall be interpreted according to their general meaning and usage. The terms and definitions are inclusive and not exhaustive and they have been included only for the purpose of clarity.

### 3) Description:

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

Quest Investment Advisors Private Limited (Quest) was originally incorporated as Quest Securities Company Private Limited on April 30, 1992 as a subsidiary company by Quest Equity Research Company Private Limited, to carry on the business of Equity Research, Investment Advisory and provide research content. Mr. Ajay Sheth (B.Com., FCMA) and his wife Bina Sheth (B.Com) were the founders of Quest Equity Research Company Private Limited.

The Company changed its name from Quest Securities Company Private Limited to Quest Investment Advisors Private Limited to more appropriately describe the scope of its activities, w.e.f. March 26, 2003. Quest Equity Research Company Private Limited, the holding company was merged with Quest w.e.f. April 1, 2003 in order to obtain the benefits of scale and synergies of operations and to carry on the business more efficiently and economically.

Quest is registered as a Portfolio Manager with SEBI vide registration No. INP000001421 under SEBI (Portfolio Managers) Regulations 2020 since October 16, 2005.

Since 1992, Quest has been in business of equity research and providing research content. Quest has provided services to FIIs like Peregrine Asset Management, Van Eck Global, Montrose Advisors Inc. A/C Select India L.P., Amansa Capital, Investment Research & Information Services (MyIris.com), domestic mutual funds like Reliance Capital Asset Management, portfolio managers like Kotak Securities and Geojit BNP Paribas Financial Services Ltd.

Since October 2007, Quest is running Portfolio Management Services (PMS) called "QuestPMS" for its Clients, by providing Portfolio Management Services. Quest is also acting as an Investment Manager to Quest Investment Trust AIF – Category III.

#### (ii) Promoters of the Portfolio Manager, Directors and their background

##### The Board of Directors:

The present Board of Directors of the Company comprise of the following Directors:

Mr. Ajay Sheth  
Mrs. Bina Sheth

##### Promoters:

The Company's present promoters are Mr. Ajay Sheth and Mrs. Bina Sheth and their details are given as under:

**Ajay Sheth** (B. Com., FCMA) has vast experience in corporate sector having spent over 12 years (from 1976 to 1987) mainly with two major multinational companies – P&G (FMCG) and Hoffmann La Roche (Pharma) in their costing, management accounting, MIS, budgetary control & planning divisions. He left the MNC job and started off on his own from 1987 into equity research and investment advisory services.

**Bina Sheth** (B. Com.) has oversight of accounts and administration and other day-to-day matters of the company.

#### (iii) Group companies: Nil

**(iv) Details of services being offered:** Discretionary /Non-discretionary /Advisory  
The Portfolio Manager is currently offering discretionary Portfolio Management Services and Advisory Services.

Quest is offering Portfolio Management Services under discretionary and advisory services to its clients.

Pursuant to SEBI Circular no. SEBI/HO/IMD/DF1/CIR/P/2020/26 dated February 13, 2020 on 'Guidelines for Portfolio Managers', Investors have an option to avail the portfolio management services directly from Portfolio Manager., Clients can onboard with the Portfolio Manager directly by contacting us on our investor desk mail id, [pms@questinvest.com](mailto:pms@questinvest.com).

**The following generic activities will govern the PMS:**

**A. Discretionary Portfolio Management Services:**

- Under this service, the Portfolio Manager will decide, based on its professional expertise, about investment in and liquidation of, one or more or all investments.
- Execution of its decisions will be done within the investment objectives.
- Clients will be informed about transactions after they are executed at time intervals and at frequencies as laid down in the agreement or as mutually agreed with Clients.
- The fees payable under this service are provided in the agreement and the same will be collected / deducted by the Portfolio Manager in the manner so provided in the agreement.
- The Portfolio Manager will have custody of both, the Funds and the Securities invested on behalf of the Clients through Custodian.
- Other terms are provided for in detail in the Agreement to be entered into between the Client and the Portfolio Manager.

**B. Advisory Services:**

Portfolio Manager also offers Advisory Services wherein the Portfolio Manager only renders non-binding investment advice to the client in respect of securities. The discretion to accept the advice or not rests fully with the client and the Portfolio Manager is not responsible for execution/settlement of the transaction.

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

| Sr. No. | Nature  | Details        |
|---------|---|----------------|
| (i)     | All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Rules or Regulations made thereunder.  | None           |
| (ii)    | The nature of penalty/directions.   | Not Applicable |
| (iii)   | Penalties imposed for any economic offence and/or for violation of any securities laws.   | 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 Board or any regulators agency.   | None           |
| (vi)    | Any enquiry/ adjudication proceedings initiated by the Board against the Portfolio Manager or its directors, principal officers or employee or any person directly or indirectly connected with the Portfolio Manager or its directors, principal officers or employee under the Act or Rules or Regulations made thereunder. | None           |

**5) Services Offered:**

The investment objectives and policies laid down herein below apply to all services of the Company, which are discretionary/advisory in nature, and the same will apply to all investments / disinvestments.

**(i) Investment Objectives:**

- The primary investment objective of the Portfolio Manager is to generate superior risk adjusted returns for clients in the long run by creating alpha through selection of a basket of high-quality listed companies



across market capitalizations. However, as investments may involve different types of risk / return tradeoffs, there cannot be any assurance or guarantee with respect to the return or principal. These objectives will be guided by following policies, strategy and philosophy.

▪ **Investment Policies:**

The investment process will be guided by the following broad policies:

- Fundamental research for investment / disinvestment decisions.
- Investing only in listed equity in Indian markets
- To invest idle cash either in fixed income securities / mutual fund as and when required.

▪ **Core Investment Strategy:**

- Identify under researched company (primarily in midcap space) whose intrinsic value is yet to be discovered by the market
- Look for fundamentally sound companies that are coming out of slow growth phase vs their long period averages and are moving into much higher growth trajectory
- Construct a reasonably concentrated Portfolio and manage investments over 36 to 48 months.
- Remain invested though company's journey from being a small/mid-cap to a large mid-cap - gaining from earnings growth, P/E expansion and price discovery

▪ **Investment philosophy:**

- Invest in growth-oriented stocks of companies managed by quality management. Such stocks may not perform in the initial investment phase but have potential of delivering high absolute return over the time frame of 36 to 48 months.
- In order to realise full potential of investments, a period of 36 to 48 months is considered most appropriate and that defines our time horizon of long-term investing. This is also typical of most good stocks that fit into QuestPMS investment philosophy, as these deliver high absolute return over this timeframe. These stocks are not driven by short term triggers and have more to do with natural progression in their performance parameters. It is a game of endurance and, not of earning a quick buck where probability of succumbing to conflicting pressures is very high. A long-term strategy proves most effective while investing in equities, as time moderates the impact of short-term fluctuations in the stock market. For investors adhering to a disciplined, long-term, buy-and-hold investment strategy, stocks have proven to be a superior way to create, preserve and grow the wealth.
- Bottom-up approach for stock selection.
- Stress on quality equity research as backbone to investment.
- Emphasis on a gap between market price and intrinsic value at the time of BUY provides good margin of safety. This reduces the risk inherent with equity investments, while simultaneously ensuring that investors earn high absolute returns over long-term.

**(ii) Investment Approaches of the Portfolio Manager**

**List of Product offerings under discretionary Portfolio Management Services**

**A. QUESTPMS FLAGSHIP PORTFOLIO:**

(Fund Manager: Aniruddha Sarkar)

**(i) Investment objective:**

To generate superior risk adjusted returns for clients in the long run by creating alpha through selection of a basket of high-quality listed companies across market capitalizations with a bias towards the largecap companies.

**(ii) Description of types of securities e.g. equity or debt, listed or unlisted, convertible instruments, etc.:**

The strategy would be investing into only listed equity in Indian markets and keep the idle cash either in cash or cash equivalents.

- (iii) **Basis of selection of such types of securities as part of the investment approach:**  
To carry out detailed fundamental research and management interactions before investing into any company. Companies entering the portfolios should meet the following criteria:
- Management track record on ethics and execution capability
  - Leadership position in its domain and within the industry, with strong pricing power and not a 'me too' player
  - Companies which have growth potential leading to P/E re-rating possibility in future
  - Cash flows and ability to pass through difficult times owing to strong balance sheet
  - Manageable leverage in books
  - Valuation comfort with enough margin of safety

- (iv) **Allocation of portfolio across types of securities:**

Equity: 50 – 100%

Cash & Cash equivalents: 0-50%

The strategy would be flexible in keeping cash levels depending on the portfolio managers outlook on market and available opportunities of investment.

Also, market capitalization wise, the strategy would be investing across all market capitalizations with a bias towards having a higher allocation to largecap companies. In other words, it would be a flexi-cap allocation depending on opportunities that meet our investment parameters.

Portfolio Managers reserves right at its discretion to change the allocation percentage depending on market conditions.

- (v) **Appropriate benchmark to compare performance and basis for choice of benchmark:**  
Nifty-500 would be the benchmark index for performance comparison as it would have reasonable mix of largecap midcap and smallcap in it, though the exact allocation to each category of market cap might be different from time to time compared to the portfolio.

- (vi) **Indicative tenure or investment horizon:**

Though the strategy would be open ended, but it is our belief that for the strategy to play out and deliver the expected returns, clients should remain invested in the same for a tenure of at least 36-48 months.

- (vii) **Risks associated with the investment approach:**

Since the investment would be done into listed equity securities, the strategy runs the risk of market volatility which could be impacted due to various macro-economic and company specific news and events.

## **B. QUESTPMS MULTI PORTFOLIO:**

(Fund Manager: Aniruddha Sarkar)

- (i) **Investment objective:**

To generate superior risk adjusted returns for clients in the long run by creating alpha through selection of a basket of high-quality listed companies across market capitalizations with a bias towards the midcap and small cap companies.

- (ii) **Description of types of securities e.g. equity or debt, listed or unlisted, convertible instruments, etc.:**

The strategy would be investing into only listed equity in Indian markets and keep the idle cash either in cash or cash equivalents.

- (iii) **Basis of selection of such types of securities as part of the investment approach:**

To carry out detailed fundamental research and management interactions before investing into any company. Companies entering the portfolios should meet the following criteria:

- Management track record on ethics and execution capability

- Leadership position in its domain and within the industry, with strong pricing power and not a 'me too' player
- Companies which have growth potential leading to P/E re-rating possibility in future
- Cash flows and ability to pass through difficult times owing to strong balance sheet
- Manageable leverage in books
- Valuation comfort with enough margin of safety

(iv) **Allocation of portfolio across types of securities:**

Equity: 50 – 100%

Cash & Cash equivalents: 0-50%

The strategy would be flexible in keeping cash levels depending on the portfolio managers outlook on market and available opportunities of investment.

Also, market capitalization wise, the strategy would be investing across all market capitalizations with a bias towards having a higher allocation to midcap or smallcap companies. In other words, it would be a flexi-cap allocation depending on opportunities that meet our investment parameters.

Portfolio Managers reserves right at its discretion to change the allocation percentage depending on market conditions.

(v) **Appropriate benchmark to compare performance and basis for choice of benchmark:**

Nifty-500 would be the benchmark index for performance comparison as it would have reasonable mix of largecap midcap and smallcap in it, though the exact allocation to each category of market cap might be different from time to time compared to the portfolio.

(vi) **Indicative tenure or investment horizon:**

Though the strategy would be open ended, but it is our belief that for the strategy to play out and deliver the expected returns, clients should remain invested in the same for a tenure of at least 36-48 months.

(vii) **Risks associated with the investment approach:**

Since the investment would be done into listed equity securities, the strategy runs the risk of market volatility which could be impacted due to various macro-economic and company specific news and events.

**C. QUESTPMS FOCUS PORTFOLIO:**

(Fund Manager: Aniruddha Sarkar)

- a) **Investment Theme:** Invest in high conviction ideas, with limited downside but huge upside. Private Equity approach to investing in growth stock.
- b) **Investment Horizon:** 4 Years
- c) **Benchmark:** Nifty-500 would be the benchmark index for performance comparison as it would have reasonable mix of largecap midcap and smallcap in it, though the exact allocation to each category of market cap might be different from time to time compared to the portfolio.

(iii) The policies of investments in associates/group companies of the portfolio manager and the maximum percentage of such investments therein subject to the applicable laws/regulations/guidelines.

However, currently PMS has no investment in group companies of the portfolio manager. The policies and other criteria are not required at this stage.

**6) Risk Factors:**

Securities investments are subject to market and other risks and consequently, the Portfolio Manager makes no guarantee or assurance that the objectives set out in this document/ the Agreement shall be accomplished.

The value of the Portfolio may increase or decrease depending upon various market forces and factors affecting the capital markets as well as de-listing of Securities, market closure, relatively small number of scrip accounting

for large proportion of trading volume. Consequently, the Portfolio Manager makes no assurance of any guaranteed returns on the Portfolio.

Past performance of the Portfolio Manager does not guarantee its future performance.

The Client stands a risk of loss due to lack of adequate external systems for transferring, pricing, accounting and safekeeping or record keeping of Securities. Transfer risk may arise due to the process involved in registering the shares, physical and demat, while price risk may arise on account of availability of share price from stock exchanges during the day and at the close of the day.

The following is an indicative list of some of the risks associated with the Portfolio Management Services:

- (i) **Equity and Equity Related Risks:** Equity instruments carry both company specific and market risks and hence no assurance of returns can be made for these investments. While the Portfolio Manager shall take all reasonable steps to invest the funds in a prudent manner in such instruments, such decisions shall not always prove to be profitable or correct. Consequently, the Client shall assume any loss arising from such decisions. The Investment made by the Portfolio Manager are subject to risks arising from the Investment objective, Investment strategy and asset allocation.
- (ii) **Macro-Economic risks:** Overall economic slowdown, unanticipated corporate performance, environmental or political problems, changes to monetary or fiscal policies, changes in government policies and regulations with regard to industry and exports may have direct or indirect impact on the investments, and consequently the growth of the Portfolio.
- (iii) **Liquidity Risk:** Liquidity of investments in equity and equity related securities are often restricted by factors such as trading volumes, settlement periods and transfer procedures. If a particular security does not have a market at the time of sale, then the scheme may have to bear an impact depending on its exposure to that particular security. While Securities that are listed on a stock exchange generally carry a lower liquidity risk, the ability to sell these investments is limited by overall trading volume on the stock exchange. Money market securities, while fairly liquid, lack a well develop secondary market, which may restrict the selling ability of such securities thereby resulting in a loss to the Portfolio until such securities are finally sold.
- (iv) **Credit Risk:** Debt securities are subject to the risk of the issuer's inability to meet the principal and interest payments on the obligations and may also be subject to the price volatility due to such factors as interest sensitivity, market perception, or the credit worthiness of the issuer and general market risk.
- (v) **Interest Rate Risk:** is associated with movements in interest rates, which depend on various factors such as government borrowing, inflation, economic performance etc. The value of investments will appreciate/depreciate if the interest rates fall/rise. Fixed income investments are subject to the risk of interest rate fluctuations, which may accordingly increase or decrease the rate of return thereon.
- (vi) Acts of State, or sovereign action, acts of nature, acts of war, civil disturbance.
- (vii) The Client stands the risk of total loss of value of an asset which forms part of the Portfolio or its recovery only through an expensive legal process due to factors which by way of illustration include default or non-performance of a third party, company's refusal to register a Security due to legal stay or otherwise, disputes raised by third parties.
- (viii) **Derivative Risks:** The derivatives will entail a counter party risk to the extent of amount that can become due from the party. The cost of hedge can be higher than adverse impact of market movements. An exposure to derivatives in excess of hedging requirements can lead to losses. An exposure to derivatives can also limit the profits from a genuine investment transaction. Efficiency of a derivatives market depends on the development of a liquid and efficient market for underlying securities and also on the suitable and acceptable benchmarks.
- (ix) **Reinvestment Risk:** This risk arises from the uncertainty in the rate at which cash flows from an investment may be reinvested. This is because the bond will pay coupons, which will have to be reinvested. The rate at which the coupons will be reinvested will depend upon prevailing market rates at the time the coupons are received.

- (x) **Non-Diversification Risk:** The risk arises when the Portfolio is not sufficiently diversified by investing in a wide variety of instruments.
- (xi) **Mutual Fund Risk:** This risk arises from investing in units of Mutual funds. Risk factors inherent to equities and debt securities are also applicable to investments in mutual fund units. In addition, events like change in fund manager of the scheme, take over and mergers of mutual funds, foreclosure of schemes or plans, change in government policies could affect performance of the investment in mutual fund units.
- (xii) **Market Risk:** Market values, liquidity and risk: return profile of investments (investment characteristics) in equities are likely to fluctuate depending on performance of the industry, national and international economies, regulations and changes therein - domestically and internationally, events that are of significant impact such as war, terrorism, sanctions and trade embargoes, natural calamities, acts of God etc. Market values, liquidity and yields of fixed and variable income instruments are likely to fluctuate depending on the prevailing interest rates in the market, liquidity preferences, impact cost changes, ratings of the issuer or the instruments, competing instruments, etc.
- (xiii) **Securities/stock Specific Risk:** Performance of the issuer companies will have significant influence on market prices of its securities. This will further depend on, in addition to external factors, its own ability to perform, management, changes therein, frauds by and on the management etc. These are known as internal risks.
- (xiv) **Transaction and Settlement Risk:** The Portfolio faces additional risks such as timing risks, short delivery or delayed delivery from markets, reduced liquidity, etc.
- (xv) **Portfolio Manager Competency Risk:** The Portfolio faces risks based on management and operational efficiencies and controls of the Portfolio Manager i.e. the risk is based on ability of the Portfolio Manager in identifying opportunities or misjudging trends and late investments and / or early liquidations, either at a loss or at reduced profits, or misjudging opportunities completely.
- (xvi) **Allied Service Provider Risk:** The Portfolio faces risks due to other service providers that the Portfolio Manager may engage to render the services such as banking, broking, clearing and settlement, Custodian services, courier services, auditing services etc.
- (xvii) **Portfolio Allied Operations Risk:** The Client also faces risks from usage of technology for recording transactions and accounts, communication of information to and fro, data computing and storage, leakages of data / information from various points including at the Portfolio Manager's operations etc.
- (xviii) **Regulatory Risk:** Changes made by the government in any of the policy parameters, including in respect of taxation, etc., that affect working of companies have positive / negative impact on market prices of those stocks and to that extent, in the value of the Portfolio. Such changes may also apply to the manner in which Portfolio is being operated and on taxability of profits made on divestment, tax treatment for dividends, etc.

7) (i) **Client Representation:**

| Category of Clients                                  | No. of Clients | Funds managed (Rs. in crores) | Discretionary / Non-discretionary/Advisory |
|--|----------------|-------------------------------|--|
| <b>Associates / group companies</b> Last 3 years     | Nil            | Nil                           | Not Applicable                             |
| <b>Others – As at September 30, 2020 (Unaudited)</b> | 1,081          | 1,502.90                      | Discretionary                              |
| As at March 31, 2020 (Audited)                       | 1              | 29.24                         | Advisory                                   |
| As at March 31, 2020 (Audited)                       | 1,351          | 1,339.13                      | Discretionary                              |
| As at March 31, 2019 (Audited)                       | 1              | 29.46                         | Advisory                                   |
| As at March 31, 2019 (Audited)                       | 1,516          | 2,341.85                      | Discretionary                              |

|   |            |                   |                           |
|---|------------|-------------------|---------------------------|
| As at March 31, 2018 (Audited)                          | 1,455      | 2,759.52          | Discretionary             |
| <b>Total</b><br>As at September 30, 2020<br>(Unaudited) | 1,081<br>1 | 1,502.90<br>29.24 | Discretionary<br>Advisory |
| As at March 31, 2020 (Audited)                          | 1,351<br>1 | 1,339.13<br>29.46 | Discretionary<br>Advisory |
| As at March 31, 2019 (Audited)                          | 1,516      | 2,341.85          | Discretionary             |
| As at 31 <sup>st</sup> March, 2018(Audited)             | 1,455      | 2,759.52          | Discretionary             |

(ii) **Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India.**

The Company has entered into following related party transactions during the period April 1, 2019 to March 31, 2020 (as extracted from the audited financial statements of the Company for the year ended 31<sup>st</sup> March, 2020)

|                  |  |
|------------------|--|
| Mr. Ajay Sheth   | Director, Key Managerial Personnel and has interest in the voting power of the Company |
| Mrs. Bina Sheth  | Director, Key Managerial Personnel and has interest in the voting power of the Company |
| Quest Foundation | Entity over which Key Managerial Personnel (KMP) has significant influence             |

(Rs. in lakhs)

| Nature of Transaction   | Director, Key Managerial Personnel & has interest in voting power in the Company that gives control |                 | KMP having significant influence | Total  |
|-------------------------|---|-----------------|----------------------------------|--------|
|                         | Mr. Ajay Sheth  | Mrs. Bina Sheth | Quest Foundation                 |        |
| Managerial Remuneration | 72.00   | 36.00           | -                                | 108.00 |
| Rent Paid               | 2.82  | -               | -                                | 2.82   |

8) **The Financial Performance of the Portfolio Manager (based on audited financial statements):**

The following table sets forth our selected financial information as of and for the fiscal years ended March 31, 2020, 2019, and 2018 as extracted from the audited financial statements. These financial statements have been prepared in accordance with Indian GAAP and the Companies Act 2013.

(Rs. in lakhs)

| Summary of Assets and Liabilities |                                | As at<br>March 31,<br>2020 | As at<br>March 31,<br>2019 | As at<br>March 31, 2018 |
|-----------------------------------|--------------------------------|----------------------------|----------------------------|-------------------------|
| <b>I.</b>                         | <b>EQUITY AND LIABILITIES</b>  |                            |                            |                         |
| <b>1</b>                          | <b>Shareholders' funds</b>     |                            |                            |                         |
| (a)                               | Share capital                  | 5.00                       | 5.00                       | 5.00                    |
| (b)                               | Reserves and surplus           | 8,940.16                   | 8,536.55                   | 6,995.15                |
|                                   | <b>Total (A)</b>               | <b>8,945.16</b>            | <b>8,541.55</b>            | <b>7,000.15</b>         |
| <b>2</b>                          | <b>Non-current liabilities</b> |                            |                            |                         |
| (a)                               | Deferred tax liabilities (Net) | -                          | -                          | 33.06                   |
| (b)                               | Other long term liabilities    | -                          | -                          | -                       |
| (c)                               | Long term provisions           | 31.56                      | 17.65                      | 6.46                    |

|            |                            |                                |                 |                 |                  |
|------------|----------------------------|--------------------------------|-----------------|-----------------|------------------|
|            |                            | <b>Total (B)</b>               | <b>31.56</b>    | <b>17.65</b>    | <b>39.52</b>     |
| <b>3</b>   | <b>Current liabilities</b> |                                |                 |                 |                  |
|            | (a)                        | Trade payables                 | 737.57          | 612.41          | 3,078.45         |
|            | (b)                        | Other current liabilities      | 104.62          | 130.13          | 448.52           |
|            | (c)                        | Short-term provisions          | -               | 157.55          | 0.01             |
|            |                            | <b>Total (C)</b>               | <b>842.19</b>   | <b>900.09</b>   | <b>3,526.98</b>  |
|            |                            | <b>TOTAL(A+B+C)</b>            | <b>9,818.91</b> | <b>9,459.29</b> | <b>10,566.65</b> |
| <b>II.</b> | <b>ASSETS</b>              |                                |                 |                 |                  |
|            | <b>Non-current assets</b>  |                                |                 |                 |                  |
| <b>1</b>   | (a)                        | Fixed assets                   | -               |                 |                  |
|            |                            | (i) Tangible assets            | 359.64          | 388.54          | 430.49           |
|            |                            | (ii) Intangible assets         | 795.26          | 821.03          | 921.80           |
|            |                            | (iii) Capital Work-in-progress | -               | -               | -                |
|            | (b)                        | Non-current investments        | 6,198.38        | 2,133.80*       | 2,684.63         |
|            | (c)                        | Deferred tax asset (Net)       | 47.60           | 17.30           | -                |
|            | (d)                        | Long-term loans and advances   | 106.15          | 108.96          | 99.14            |
|            |                            | <b>Total (D)</b>               | <b>7,507.03</b> | <b>3,469.63</b> | <b>4,136.06</b>  |
| <b>2</b>   | <b>Current assets</b>      |                                |                 |                 |                  |
|            | (a)                        | Trade receivables              | 568.37          | 784.59          | 2,705.18         |
|            | (b)                        | Cash and cash equivalents      | 1,665.41        | 5,096.59        | 3,626.29         |
|            | (c)                        | Short-term loans and advances  | 37.83           | 15.87           | 44.38            |
|            | (d)                        | Other Current Assets           | 40.27           | 92.61           | 54.74            |
|            |                            | <b>Total (E)</b>               | <b>2,311.88</b> | <b>5,989.66</b> | <b>6,430.59</b>  |
|            |                            | <b>TOTAL(D+E)</b>              | <b>9,819.91</b> | <b>9,459.29</b> | <b>10,566.65</b> |

(Rs in lakhs)

| <b>Summary of Profit and Loss Information</b> |                                       | <b>For the<br/>Year ended<br/>March 31,<br/>2020</b> | <b>For the<br/>Year ended<br/>March 31,<br/>2019</b> | <b>For the<br/>Year ended<br/>March 31,<br/>2018</b> |
|---|---------------------------------------|--|--|--|
| <b>I.</b>                                     | Revenue from operations               | 2,377.83   | 2,936.73   | 5,439.09   |
| <b>II.</b>                                    | Other income                          | 350.29   | 1,384.67   | 1,570.90   |
| <b>III.</b>                                   | <b>Total Revenue (I + II)</b>         | <b>2,728.12</b>                                      | <b>4,321.40</b>                                      | <b>7,009.99</b>                                      |
| <b>IV.</b>                                    | <b>Expenses:</b>                      |  |  |  |
|   | Employee benefits expense             | 511.78   | 624.23   | 2,045.05   |
|   | Finance costs                         | 0.26   | 14.09  | 4.04   |
|   | Depreciation and amortization expense | 143.21   | 151.27   | 165.27   |
|   | Donations & Contribution              | 230.00   | 892.43   | 46.35  |
|   | Referral Fees                         | 256.65   | 533.21   | 3,480.04   |
|   | Other expenses                        | 150.86   | 199.56   | 485.60   |
|   | <b>Loss on sale of investments</b>    | <b>977.48</b>  | <b>-</b>   | <b>-</b>   |

|            |  |                 |                 |                 |
|------------|--|-----------------|-----------------|-----------------|
|            | <b>Total Expenses</b>  | <b>2,270.24</b> | <b>2,414.79</b> | <b>6,226.35</b> |
| <b>V.</b>  | <b>Profit/(Loss) before tax (III- IV)</b>                      | <b>457.88</b>   | <b>1,906.61</b> | <b>783.64</b>   |
| <b>VI.</b> | <b>Tax expense:</b>  |                 |                 |                 |
|            | (i) Current tax  | 476.77          | 455.00          | 223.00          |
|            | (ii) MAT Credit Availed  | (403.65)        | (39.41)         | -               |
|            | (iii) Short/(excess) provision for tax relating to prior years | 11.44           | -               | (102.75)        |
|            | (iii) Deferred tax   | (30.29)         | (50.37)         | (18.49)         |
| <b>VII</b> | <b>Profit/(Loss) for the year (V-VI)</b>                       | <b>403.61</b>   | <b>1,541.39</b> | <b>681.88</b>   |

\* The erosion in market value of certain investment, compared to the cost of investment is considered to be temporary in nature and the Management is confident of the recovery of its cost of investment.  
(The copy of audited annual report will be furnished on request.)

9) **Portfolio Management performance of the Portfolio Manager for the last three years, and in case of discretionary Portfolio Manager, disclosure of performance indicators calculated using “Time Weighted Rate of Return” method in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020:**

| Period From / To                 | 01/04/2020<br>to<br>30/09/2020   | 01/04/2019<br>to<br>31/03/2020 | 01/04/2018<br>to<br>31/03/2019 | 01/04/2017<br>to<br>31/03/2018 |
|----------------------------------|--|--------------------------------|--------------------------------|--------------------------------|
|                                  | <b>QuestPMS Flagship Portfolio</b> <i>Net of all fees and charges levied by the Portfolio Manager.</i>   |                                |                                |                                |
| <b>Portfolio Performance (%)</b> | 38.7   | (29.1)                         | (7.7)                          | 21.9                           |
| <b>Benchmark Performance %</b>   |  |                                |                                |                                |
| Nifty 500                        | 33.5   | (27.6)                         | 8.4                            | 11.5                           |
|                                  |  |                                |                                |                                |
|                                  | <b>QuestPMS Multi Portfolio -</b> <i>Net of all fees and charges levied by the Portfolio Manager.</i>  |                                |                                |                                |
| <b>Portfolio Performance (%)</b> | 47.9   | (29.9)                         | (8.2)                          | 19.1                           |
| <b>Benchmark Performance %</b>   |  |                                |                                |                                |
| Nifty 500                        | 33.5   | (27.6)                         | 8.4                            | 11.5                           |
|                                  |  |                                |                                |                                |
|                                  | <b>QuestPMS Focus Portfolio (inception date 24.05.2016)</b><br><i>Net of all fees and charges levied by the Portfolio Manager.</i>                               |                                |                                |                                |
| <b>Portfolio Performance (%)</b> | 32.8   | (33.6)                         | (12.9)                         | 33.8                           |
| <b>Benchmark Performance %</b>   |  |                                |                                |                                |
| Nifty 500                        | 33.5   | (27.6)                         | 8.4                            | 11.4                           |
|                                  |  |                                |                                |                                |
|                                  | <b>QuestPMS Focused Infra Portfolio (inception date: 25.01.2018 and now discontinued)</b><br><i>Net of all fees and charges levied by the Portfolio Manager.</i> |                                |                                |                                |
| <b>Portfolio Performance (%)</b> | 33.6   | (37.4)                         | (2.8)                          | 0.3                            |
| <b>Benchmark Performance %</b>   |  |                                |                                |                                |
| Nifty 500                        | 33.5   | (27.6)                         | 8.4                            | (9.2)                          |
|                                  |  |                                |                                |                                |



Note: TWRR is calculated by unitizing daily AUM (Asset Under Management) of an Investment Approach into NAV. The Return between the period is derived by calculating difference between Opening NAV and Closing NAV of the return period.

Source: The Quantitative data for benchmark performance are based on respective index information available on NSE website, at each date of measurement. The benchmark indices selected by the Company are presented for indicative purpose only.

**10) Audit Observation:**

NIL during the preceding 3 years.

**11) Nature of Expenses:**

The following are the general costs and expenses to be borne by the Client availing the services of the Portfolio Manager.

**i) Portfolio Management Fees/Advisory Fee:**

The portfolio management fees/advisory fee relates to Portfolio Management Services offered to the Clients. The fee may be a fixed fee or performance based fee or a combination of both, as agreed by the Client with Portfolio Manager. Charges pertaining to partial withdrawal / closure would be levied as per the terms provided in Agreement entered into between Portfolio Manager and Client.

The Portfolio Manager charges fixed management fees of upto 2.5% p.a. (exclusive of applicable taxes) of the Client's average daily Asset Under Management.

**ii) Performance Fee and High Water Mark principle:**

The Portfolio Manager shall charge performance fees on increase in portfolio value in excess of previously achieved High Water Mark only. High Water Mark shall be the highest value that the Portfolio/account has achieved. Value of Portfolio for calculation of High Water Mark shall be taken to be the value on the date when performance fees are charged. The percentage of fee charged shall not exceed 25% of the value of the appreciation of the client portfolio with regards to previously achieved High Water Mark. With regard to performance fee; the terms will be decided as per the Client Agreement in compliance with the applicable laws.

**iii) Exit Fees:**

Exit fees relates to exit charge payable to the Portfolio Manager at the time of complete or partial withdrawal of portfolio as agreed. In compliance with SEBI guidelines the Portfolio Manager may charge maximum exit charge of upto 3% for redemption within 12 (twelve) months of investment, upto 2% for redemption within 24 (twenty four) months of investment and upto 1% for redemption within 36 (thirty six) months of investment. The exit charge will be exclusive of applicable taxes and the Client shall bear such taxes over and above the amount of exit charge.

Note: The fees charged to the Client under PMS come under the ambit of "Fees for Technical and Professional Services" under section 194J of the Income Tax Act, 1961. The Client shall deduct the tax on the fees and provide Portfolio Manager with the TDS Certificate in Form 16A, within prescribed time limit laid down under the Income Tax Act, 1961.

**iv) Transactions Cost:**

Brokerage and / or Transaction cost on transactions would be levied at the prevailing rates charged by the brokers and /or any such other intermediary (+) applicable Goods and Services Tax (+) Stamp Duty (+) Securities Transaction Tax (+) Turnover Fee (+) any other levies thereon, as may be applicable from time to time.

**v) Other Charges:**

Over and above the Fixed Fee, Performance Fee and the transactions cost as mentioned above, the Portfolio Manager would recover charges levied by the Custodian for acquiring, holding, sale & transfer of investments

in de-materialised form (like custody charges, transaction charges, depository charges, out of pocket expenses, etc., at actual), audit fees for auditing and reporting of individual Client's account and any other charges that the Portfolio Manager may have to incur while running the portfolio management services. The above fees, transaction cost and other charges shall be directly debited to the Client's account as and when the same becomes due for payment. These include:

**1. Custodian/Depository fees**

The charges relating to opening and operation of dematerialized accounts, custody and transfer charges for shares, bonds and units, dematerialization and other charges in connection with the operation and management of the depository accounts at actual.

**2. Registrar and transfer agent fee**

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

**3. Brokerage and transaction costs**

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

**4. Certification and professional charges**

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

**5. Incidental Expenses**

Charges in connection with the inter alia courier expenses, stamp duty, Goods and Services Tax, postal, telegraphic, opening and operation of Bank Account would be at actual.

**6. Audit Fees**

Actual charges levied by the auditor to be recovered by the Portfolio Manager from the Client, based on pre-determined criteria.

**Manner of payment of fees and/ or expenses:**

The Portfolio Manager shall recover directly from the bank accounts of the Client maintained under PMS, all the fees, transactions cost and other charges as specified above.

**12) Taxation:**

The information set out below outlines the tax implications vis-à-vis investments in listed equity shares of Indian companies based on relevant provisions of the Income-tax Act, 1961, as currently applicable.

**General**

Implications of any judicial decisions/ Double Tax Avoidance Treaties/ the Multilateral Instrument ('MLI') signed by the Government of India with some Countries, the Indian General Anti-Avoidance Rule (GAAR), 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 the individual nature of tax consequences on the income, capital gains or otherwise, arising from investments as also the fact that the provisions of Income-tax Act, 1961 undergo changes frequently, the client is advised to consult his / her tax consultant for appropriate advice on tax treatment.

**Income from investment in equity shares is subject to tax in the following manner:**

1. The Finance Act, 2020 has abolished the DDT regime and section 115BBDA from the financial year starting from 01 April 2020 – the amendments as introduced in the Finance Act, 2020 are as under:
  - o Any dividend received on shares on or after 01 April 2020 is taxable in the hands of the investors and tax is deductible at the time of credit or payment in terms of the provisions of the Act as under -

- @ 10% where dividends are paid to resident shareholders;
  - @ 20% (plus surcharge and cess) where dividends are paid to non-resident shareholders. For non-resident shareholder(s), benefit, if any, under the relevant Double Taxation Avoidance Agreement will also have to be considered subject to section 90(4) of the Income-tax Act, 1961.
- No tax shall be deducted in case of a shareholder, being a resident individual, if –
    - the dividend is paid by the domestic company in any mode (other than cash) and the dividend amount or the aggregate of dividend distributed or paid or likely to be distributed or paid during the financial year does not exceed Rs. 5,000/-;
    - the dividend is credited or paid to an investor (i.e. Life Insurance Corporation of India, General Insurance Corporation of India or any other insurer) specified in the second proviso to section 194 of the ITA.
  - In terms of section 57 of the ITA, no deduction shall be allowed from the dividend income defined in the Explanation to section 10(35) other than deduction on account of interest expense. However, such deduction shall not exceed 20% of the dividend income or income in respect of such units included in the total income for the year without deduction under this section.
  - The benefit of deduction under chapter VIA shall be allowed from the gross total income as reduced by such capital gains. However, in case of Individuals and HUFs opting for the new tax regime in terms of the provisions of section 115BAC inserted by the Finance Act, 2020 w.e.f. 01 April 2021 (i.e. from the financial year starting from 01 April 2020 i.e. Assessment Year 2021-21), the benefit of deduction under chapter VIA (other than sections 80CCD(2) and 80JJAA) will not be available.
2. In case the listed equity shares are held as an investment by a resident or non-resident and are sold within 12 months from the date of purchase, then the resultant gains or losses are termed as short-term capital gains or losses.

Short-term gains arising from the transfer of listed equity shares through a recognized stock exchange in India where the transaction has been subject to 'Securities Transaction Tax' ("STT") and/or undertaken on a recognized stock exchange located in any International Financial Services Centre and the consideration for such transaction is paid/payable in foreign currency<sup>1</sup> are taxed at a concessional rate of 15% plus the applicable surcharge and Health and Education cess.

3. However, if the transaction has not been done on a recognized stock exchange in India and consequently, the transaction has not been subjected to STT, then the short term capital gains will be taxed (income-tax including surcharge and cess) at the rate applicable depending upon the status (i.e. Individual / HUF, Firms, Corporate, etc.) and the income level of clients and also the income level of Portfolio Management Service ("PMS") clients.
4. In case the listed equity shares are held as an investment by a resident or a non-resident and are sold after 12 months from the date of purchase, the resultant gains or losses are termed as long-term capital gains or losses.

Prior to the amendment made by the Finance Act, 2018, long term gain arising out of transfer of equity shares on a recognized stock exchange in India and the sale transaction of which has been subjected to STT and/or undertaken on a recognized stock exchange located in any International Financial Services Centre and the consideration for such transaction is paid/payable in foreign currency<sup>2</sup> were exempt from income tax in terms of section 10(38) of the Income-tax Act, 1961.

5. From the Assessment Year 2019-20, the exemption under section 10(38) of the Income-tax Act, 1961 has been withdrawn and a new provision viz. section 112A has been introduced in the Income-tax Act, 1961 to provide that long term capital gains (in excess of Rs. 1,00,000/- per year) arising on transfer of a long term capital asset being equity shares of a domestic (Indian) company shall be taxed at 10% of such capital gains – details of which are given further hereunder:

<sup>1</sup> Inserted w.e.f. 01 April 2017 by the Finance Act, 2016

<sup>2</sup> Inserted w.e.f. 01 April 2017 by the Finance Act, 2016

- i. The provisions of section 112A of the Income-tax Act, 1961 apply when the total income of an assessee (resident and non-resident) includes any income chargeable under the head "Long Term Capital Gains" from the transfer of a long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust and securities transaction tax in terms of Chapter VII of the Finance (No. 2) Act, 2004 (23 of 2004) has,—
  - a. in a case where the long-term capital asset is in the nature of an equity share in a company, been paid on acquisition and (sale) transfer of such capital asset; or
  - b. in a case where the long-term capital asset is in the nature of a unit of an equity oriented fund or a unit of a business trust, been paid on (sale) transfer of such capital asset.
- ii. It may be noted that there could be exceptional purchases and sales arising out of corporate actions like demergers, bonus, rights issues, buy backs, open offers, etc. where STT is not paid on acquisition or for transfer.
- iii. In this connection, the Central Government has been conferred with the powers to notify specific nature of acquisition in respect of which the provisions pertaining to STT being paid on purchases and sales shall not apply – please refer to the Notification no. SO 1789(E) [NO.43/2017 (F.NO.370142/09/2017-TPL)] dated 05 June 2017 issued by the Central Board of Direct Taxes which provides a list of such transactions. ([https://www.incometaxindia.gov.in/communications/notification/notification43\\_2017.pdf](https://www.incometaxindia.gov.in/communications/notification/notification43_2017.pdf)). The above Notification came into force w.e.f 01 April 2018 and accordingly is applicable from the Assessment Year 2018-19 and onwards.
- iv. Accordingly, the tax is payable by the resident/non - resident on such long-term capital gains exceeding one lakh rupees at the rate of 10% plus the applicable surcharge and cess.
- v. It may be noted that the condition of payment of STT at the time of purchase and sale shall not be applicable, if the transaction of transfer of equity share takes place on the recognized stock exchange located in any International Financial Services Centre and the consideration for such transfer is received or receivable in foreign currency.
- vi. Also, for the purposes of calculating the long term capital gains u/s. 112A of the Income-tax Act, 1961, cost of acquisition of an equity share acquired before 01 February 2018, shall be higher of the following:
  - A. The actual cost of acquisition of equity share, and
  - B. Lower of the, fair market value of the equity share or the full value of consideration accruing on its transfer.

In this connection, "Fair market value" means,—

- (i) in a case where the capital asset is listed on any recognised stock exchange as on the 31st day of January, 2018, the highest price of the capital asset quoted on such exchange on the said date,  

Provided that where there is no trading in such asset on such exchange on the 31st day of January, 2018, the highest price of such asset on such exchange on a date immediately preceding the 31st day of January, 2018 when such asset was traded on such exchange shall be the fair market value;
- (ii) in a case where the capital asset is a unit which is not listed on a recognised stock exchange as on the 31st day of January, 2018, the net asset value of such unit as on the said date;
- (iii) in a case where the capital asset is an equity share in a company which is—
  - (a) not listed on a recognised stock exchange as on the 31st day of January, 2018 but listed on such exchange on the date of transfer;
  - (b) listed on a recognised stock exchange on the date of transfer and which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31st day of January, 2018 by way of transaction not regarded as transfer under section 47,

an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the financial year 2017-18 bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the first day of April, 2001, whichever is later.

6. In case of a resident investor, if at time of acquisition of equity share or at the time of transfer of equity share STT is not paid, then the capital gains would be either taxed 10% plus the applicable surcharge and cess as if the purchase cost is not indexed or at 20% plus the applicable surcharge and Health and Education cess as if the purchase cost is indexed, whichever option is more beneficial to the clients.
7. In case of an individual or HUF, being a resident of India, where the total income as reduced by such long term capital gains or short term capital gains is below the maximum amount which is not chargeable to income-tax then such long term capital gains or short term capital gains shall be reduced by such shortfall amount and only remaining balance of such long term capital gains or short term capital gains shall be subject to tax at the applicable rate.
8. Any STT paid, is neither allowed as a deduction in computing the income chargeable under the head "capital gains" nor allowed as a deduction from the amount of income tax payable on capital gains.
9. In case of a non-resident investor, if the securities transaction tax is not paid at time of acquisition of equity share or at the time of transfer of equity share, then the tax on gains will be taxed at the rate of 10% plus applicable surcharge and cess.
10. The benefit of indexation will not be available to a non-resident and the capital gains arising to a non-resident will have to be determined by converting the actual amount that the shares are sold for into the currency in which the shares were initially bought. After which, the total amount of capital gains earned through the sale will then be converted into Indian rupees at the rate applicable on the date of the sale.
11. The benefit of indexation as well as the adjustment for foreign exchange fluctuation will also not be available to the capital gains arising to a non-resident from the transfer of shares referred to in section 112A of the Income-tax Act, 1961.
12. In so far as residents are concerned, the benefit of indexation shall not be available to the capital gains arising from the transfer of shares referred to in section 112A of the Income-tax Act, 1961.
13. The loss arising on sale of equity shares purchased within 3 months prior to the record date for the entitlement of exempt dividend and sold within 3 months after such record date, is to be ignored to the extent of the dividend received or receivable on such equity shares for the purpose of computing the taxable income. However, from 01 April 2020, with the abolition of dividend distribution tax, the dividend stripping provision under section 94(7) may not apply except in cases where dividend income continues to be exempt.
14. In case of a non-resident Indian's PMS account, tax is required to be deducted at source, and the same will be deducted from the sales proceeds by the Custodian. The certificate for the same will be provided by them as per the rules laid down by the prescribed Act.
15. Advance Tax Obligations:  
  
It shall be the client's responsibility to meet the obligations on account of advance tax installments payable on the due dates as per the Income-tax Act, 1961 and as amended from time to time.
16. STT is applicable on transactions of such purchase or sale equity shares in a company. The STT rates are applicable as per the Finance Act, 2009 and amended thereafter.

Effective from Assessment year 2020-21, a domestic company has an option to avail lower tax rate of 22% plus applicable surcharge and health and education cess subject to the total income of the domestic company computed without claiming any deductions, etc., as explained in 115BAA. Further, the MAT provisions will not apply to the domestic company who has availed an option to be governed by section 115BAA. For other cases, the MAT rate has been reduced from 18% to 15% plus applicable surcharge and health and education cess.

### 13) Accounting Policies for the Client Portfolio:

Books and Records are separately maintained in the name of the Client to account for the assets and any additions, income, receipts and disbursements in connection therewith, as provided by the SEBI (Portfolio Management) Regulations, 2020, as amended from time to time. Accounting under the respective Portfolios will be done in accordance with Generally Accepted Accounting Principles in India.

The Portfolio Manager and the Client can adopt any specific norm or methodology for valuation of investments or accounting the same and may be mutually agreed between them on a case specific basis, in so far as it is consistent with the GAAP in India

The Portfolio Manager shall keep and maintain proper books of accounts, record and documents for each Client so as to explain transactions for each Client and to disclose at any point of the Portfolio Holding of each Client.

The following Accounting policies will be applied for the Portfolio investments of Clients.

1. **Basis of Accounting**  
The financial statements are prepared on an accrual basis of accounting under the historical cost convention.
2. **Use of estimates**  
The preparation of financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and reported revenues and expenses for the year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in outcomes different from the estimates. Difference between actual results and estimates are recognised in the period in which the results are known or materialise.
3. **Capital**  
Capital represents infusions (net of withdrawals, if any) of cash/Securities contributed by the Client under the Discretionary Portfolio Management Services Agreement.
4. **Investments**  
Accounting for investment transactions: Purchase and sale of investments are recorded on trade date basis, after considering stamp duty, brokerage and applicable GST. Investments as at Balance Sheet date are reflected at Cost, including brokerage. Securities Transaction Tax levied on purchase/sale of Securities during the financial year is recognized as an expense in the books of accounts. Investments are allocated to Clients based on pre-determined criteria at weighted average price of the day's transaction.

Corporate actions including Bonus rights and splits are recorded on the respective ex-dates notified by the Investee Company.

5. **Revenue Recognition**
  - i. Profit or loss on sale of investments is recognised on the date of transaction and is determined by consistently applying the First in-First out principle.
  - ii. Dividend income is accounted for when unconditional right to receive is established.
  - iii. Interest on Fixed Deposits is accrued on a time proportionate basis at the underlying interest rates.
6. **Expenses**  
All expenses are accrued and accounted on following basis:

|  |   |
|--|---|
| Audit Fees                               | Allocated based on pre-determined criteria.                       |
| Depository Charges & Transaction Charges | At actuals based on actual invoice received from the Custodians.  |
| Management Fees & Performance based Fees | Accrued in accordance with the Agreement entered with the Client. |
| Securities Transaction Tax               | At actuals on basis of allocation of investment.                  |

7. **Provision for tax**  
No provision for tax has been made on the income earned during the period since as per the Discretionary Portfolio Management Services Agreement, all tax liabilities are the Client's sole

responsibility. Tax Deducted at Source on interest income is recorded on confirmation obtained from Bank.

The above accounting policies are as per Portfolio Clients Financial Statements for year ended March 31, 2020 and the same accounting policies are proposed to be consistently applied by the Portfolio Manager.

**14) Investor Services:**

- i) Name, address and telephone number of the Investor Relation Officer who shall attend to the investor queries and complaints:

Shashikant Shah– Relationship Manager

**Quest Investment Advisors Private Limited**

188/3, Gurukrupa Building, 1<sup>st</sup> Floor,

Jain Society, Next to Jain Temple, Sion (West), Mumbai – 400 022.

Telephone/Fax Number: +91 22 2406 6700 / 24021586 / 2406 6731

Email: shashi@questinvest.com, Website: www.questinvest.com

CIN: U65990MH1992PTC066602

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

Grievances, if any, that may arise pursuant to the Portfolio Management Services 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.

The Portfolio Manager will endeavor to address all complaints regarding service deficiencies or cause 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 Portfolio Manager shall abide by the following mechanisms.

The investor - has an option to register its complaints on SEBI SCORES <https://scores.gov.in/> where the regulator (SEBI) will then intervene and make efforts to redress the complaints. For queries, feedback and assistance relating to SEBI SCORES, please contact SEBI office on toll free helpline 1800 22 75 75 / 1800 266 7575

All disputes, differences, claims and questions whatsoever arising between the Client and the Portfolio Manager and/or their respective representatives shall be settled in accordance with and subject to the provisions of the Arbitration and Conciliation Act, 1996 or any statutory requirement, modification or re-enactment thereof for the time being in force. Such Arbitration proceedings shall be held at Mumbai. Except as above said in relation to settlement of disputes through arbitration, all the legal actions and proceedings are subject to the jurisdiction of court in Mumbai only and shall be governed by Indian Law.

**Quest Investment Advisors Pvt. Ltd.**

**Sd/-  
Authorised Signatory**

**Sd/-  
Authorised Signatory**

**Date: December 14, 2020  
Place: Mumbai**