



Franklin Templeton Asset Management (India) Private Limited
Indiabulls Finance Centre, Tower 2, 12th and 13th Floor, Senapati Bapat Marg, Elphinstone
(West), Mumbai 400013

PORTFOLIO MANAGEMENT SERVICES

DISCLOSURE DOCUMENT

**[As required under Regulation 22 of
Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020]**

- (i) The Document has been filed with SEBI along with the certificate in the prescribed format in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020.
- (ii) The purpose of the Document is to provide essential information about the portfolio management services in a manner to assist and enable the investors in making informed decision for engaging the Portfolio Manager.
- (iii) The Disclosure Document is dated March 31, 2020. The document contains necessary information about the Portfolio Manager required by an investor before investing, and the investor may also be advised to retain the document for future reference. The Disclosure Document is available on www.franklintempletonindia.com
- (iv) **Name of Principal Officer** : **Mr. Sanjay Sapre**
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DISCLAIMER

This Disclosure Document has been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, as amended from time to time and filed with SEBI. This Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the Document.

Section 1.0 - Definitions

Capitalised terms used in this Disclosure Document shall have the meanings ascribed to them in Annexure 1.

Section 2.0 Information about the Portfolio Manager

Franklin Templeton Asset Management (India) Private Limited (FTAMIL) is the Portfolio Manager offering portfolio management services to its client. This Disclosure Document provides general information about the Portfolio Manager.

FTAMIL is a company incorporated under the Companies Act, 1956 on October 6, 1995, having its Registered Office at Indiabulls Finance Centre, Tower 2, 12th and 13th Floor, Senapati Bapat Marg, Elphinstone (West), Mumbai 400013.

FTAMIL had obtained from SEBI a certificate dated November 8, 2000 to act as a Portfolio Manager under Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 vide registration no. INP000000464. Further, registration certificate has been renewed and fees for the same has been made to SEBI on August 09, 2018.

Shareholding pattern: The entire (100%) paid up capital of the Portfolio Manager is held by Franklin Templeton Holding Ltd., Mauritius and its nominees. Franklin Templeton Holding Ltd. is a wholly owned subsidiary of Franklin Templeton Capital Holdings Pte. Ltd., Singapore, which is a wholly owned subsidiary of Templeton International Inc., USA, which in turn is a wholly owned subsidiary of Franklin Resources Inc., USA. Franklin Resources Inc., which together with its subsidiaries operates as Franklin Templeton Investments, is one of the world's largest investment management organisations.

Other Relevant Information

- (a) Detailed background, present business, directors and key personnel of the Portfolio Manager, are contained in Annexure 2.
- (b) Top 10 Group Companies of FTAMIL on turnover basis are contained in Annexure 2.
- (c) Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India is contained in Annexure 3.
- (d) **Performance of the Portfolio Manager:** The Financial Performance of the Portfolio Manager - The audited financial statements of the Portfolio Manager for the preceding three financial years is attached as Annexure 4(ii).

Section 3.0 - Services offered by the Portfolio Manager

The Portfolio Manager offers the following three types of portfolio management services:

3.1 Discretionary: Under this service, the Portfolio Manager manages portfolios, primarily investing in securities on behalf of its Clients, in a discretionary manner. The Portfolio Manager has the absolute discretion as to the investments and / or management of the portfolio of securities or the funds of the Client. An agreement outlining the details of services including the objectives, rights and responsibilities, fees and expenses, etc. is entered into with each Client separately.

The Portfolio Manager was managing a product, Franklin Templeton Private Equity Strategy under Discretionary services which was launched in September 2008. The term of the product concluded on September 18, 2016.

The Portfolio Manager may launch new products in future and relevant details about the same will be updated in the Disclosure Document before launch.

3.2 Non - Discretionary: Under this service, the Portfolio Manager advises its Clients on a non-discretionary basis on a variety of asset classes. The Client will decide on the investments (stock quantity and the amount). Such services are offered in a general manner and advice is not specified for a particular portfolio. Clients are not differentiated for their specific needs under this service.

3.3 Advisory: Under this service, the Portfolio Manager advises Clients on investments in general as well as any specific advice that may have been agreed upon in the agreement. For such services, the Portfolio Manager charges the Client a fee for services rendered as spelt out in the agreement. The Client is advised on buy/sell decision within the overall risk profile without any back-office responsibility for trade execution, custody or accounting functions.

Section 4.0 Risk Factors

Portfolio-related Risks

Identification of Appropriate Investments

The success of the Portfolio as a whole depends on the identification and availability of suitable investment opportunities and terms. The availability and terms of investment opportunities will be subject to market conditions, prevailing regulatory conditions in India where the Portfolio may invest, and other factors outside the control of the Portfolio. Therefore, there can be no assurance that appropriate investments will be available to, or identified or selected by, the Portfolio.

India-related risks

Political, economic and social risks

Political instability or changes in the Government could adversely affect economic conditions in India generally and the Portfolio Manager's business in particular. The Company's business may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

Since 1991, successive Governments have pursued policies of economic liberalization and financial sector reforms. Nevertheless the Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Moreover, there can be no assurance that such policies will be continued and a change in the Government's economic liberalization and deregulation policies in the future could affect business and economic conditions in India and could also adversely affect the Portfolio Manager's financial condition and operations. Future actions of the Indian central government or the respective Indian state governments could have a significant effect on the Indian economy, which could adversely affect private sector companies, market conditions, prices and yields of the investee companies.

Government approvals

Approvals of the government or regulatory bodies or local authorities may be required before the Portfolio can make investments in the investee companies. The Portfolio Manager cannot be certain that these approvals will be obtained.

Tax risks

Changes in state and central taxes and other levies in India may have an adverse effect on the cost of operating activities of the investee companies. The Government of India, State Governments and other local authorities in India impose various taxes, duties and other levies that could affect the performance of the investee companies. An increase in these taxes, duties or levies, or the imposition of new taxes, duties or levies in the future may have a material adverse effect on the Portfolio's profitability. Furthermore, the tax laws in relation to the Portfolio are subject to change, and tax liabilities could be incurred by clients as a result of such changes. The proposed arrangement of pooling of funds from various Clients and investing them in investee companies could be construed as an 'Association of Persons' (AOP) in India under the provisions of the Income-tax Act, 1961 and taxed accordingly. The full tax impact of an investment under the Portfolio would depend upon the circumstances of each client individually and the additional peculiarities associated with respect to activities of each investee company. Prospective clients are therefore strongly urged to consult their tax advisors with specific reference to their own situations.

Inflation Risk

Inflation and rapid fluctuations in inflation rates have had, and may have, negative effects on the economies and securities markets of the Indian economy. International crude oil prices and interest rates will have an important influence on whether economic growth targets in India will be met. Any sharp increases in interest rates and commodity prices, such as crude oil prices, could reactivate inflationary pressures on the local economy and negatively affect the medium-term economic outlook of India.

Fiscal Risk

The Government has exercised and continues to exercise, substantial influence and control over many aspects of the private sector. In some cases, governments own or control many companies. The availability of investment opportunities for the Portfolio depends in part on Government continuing to liberalize its policies regarding foreign investment and to further encourage private sector initiatives. Accordingly, government actions in the future could have a significant effect on economic conditions, which could affect private sector companies and the prices and yields of portfolio investments.

Other risks

The investee company may (i) co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring non-controlling interests in certain investments, (ii) rely on independent third party management with respect to the operation of an investment or (iii) only acquire a participation in an asset underlying an investment and, as a result, may not be able to exercise control over the management of such investments.

General risks associated with the management of the Portfolio of a PMS product

- ⇒ Investments in Securities are subject to market risks and Portfolio Manager does not in any manner whatsoever assure or guarantee that the objectives will be achieved.
- ⇒ The past performance of the Portfolio Manager is not necessarily indicative of the future performance of the Portfolio Manager.
- ⇒ Any act, omission or commission of the Portfolio Manager under the Agreement is solely at the risk of the Client and the Portfolio Manager will not be liable for any act, omission or commission or failure to act save and except in cases of negligence, willful default and/or fraud of the Portfolio Manager.
- ⇒ The portfolio may be affected by the changes in the interest rates prevailing for fixed income Securities and volumes of trading.
- ⇒ The client portfolio may be affected by settlement periods and transfer procedures.
- ⇒ The liquidity of the client portfolio is inherently restricted by trading volumes in the Securities of investee companies.
- ⇒ The Portfolio management service is subject to risk arising out of non-diversification.

Section 5.0 - Conflicts of Interest

The Portfolio will be subject to conflict of interest relating to Franklin Templeton Asset Management (India) Private Limited as Portfolio Manager and various other affiliates, associated companies, or group companies directors, officers and employees of the Portfolio Manager ("Relevant Parties"), which are engaged in a broad spectrum of activities in the financial sector.

Conflict of interest would be inherent between the activities of the Portfolio Manager and the Relevant Parties. It is intended for such conflicts to be managed primarily by complying with the applicable law, acting in good faith to develop equitable resolutions of known conflicts and developing policies to reduce the possibilities of such conflict. The Portfolio Manager

shall endeavour to ensure that these conflicts do not work to the detriment of the interests of the Client; however there can be no assurance that they will be able to do so in all instances.

Section 6.0 - Accounting Policies

6.1 Accounting Policies

Following are the key accounting policies

6.1.1 Unlisted securities would be valued at cost till the same are Fair Valued. Subsequently such securities will be valued at Fair Value.

6.1.2 All investments in unlisted Securities will be fair valued as per the valuation determined by an agency appointed by the Portfolio Manager, which may include a reputable chartered accountant or other consultant, on a half year basis (Sept/Mar).

6.1.3 All investments in listed Securities will be marked to market. Investments in listed securities having a lock in period will be valued by applying an appropriate illiquidity discount on the market price of the listed securities on an annual basis over the balance days for the completion of lock in period, as determined by an agency appointed by the Portfolio Manager, which may include a reputable chartered accountant or other consultant, on a half year basis (Sept/Mar).

6.1.4 Transactions for purchase or sale of listed Securities would be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the individual Client account for that year. Transactions for acquisition or divestment of unlisted Securities would be recognized as of the date of such acquisition or divestment. Date of investment in a company refers to the date of funding.

6.1.5 The cost of investments acquired or purchased would include brokerage, stamp charges and any other charges incidental to such acquisition or purchase or levied by any statute.

6.2 Books of Accounts: Books of accounts would be separately maintained in the name of the Client as are necessary to account for the assets and any additions, income, receipts and disbursements in connection therewith, as provided under SEBI (Portfolio Managers) Regulations, 2020.

6.3 Audit:

6.3.1 The books and accounts of the Portfolio Manager relating to the Client's funds / transactions shall be audited annually by an independent chartered accountant appointed by the Portfolio Manager, and a copy of the certificate/report issued by the chartered accountant shall be forwarded by the Portfolio Manager to the Client.

6.3.2 The Client may appoint a chartered accountant of its choice at his own cost and expense to audit the books and accounts of the Portfolio Manager, relating to his transactions and the Portfolio Manager shall co-operate with such chartered accountant in course of the audit.

Section 7.0 - Taxation

The following note discusses the broad tax provisions applicable to the Clients investing in the Portfolio Management Services of Franklin Templeton Asset Management India (Private) Limited under the Income-tax Act, 1961 (“the IT Act”).

The note is based on the provisions of the IT Act, as on date, taking into account the amendments made by the Finance Act, 2020 (FA 2020).

This note intends to provide general information on the applicable Indian tax provisions. However, in view of the individual nature of the implications, the investors are best advised to consult their respective tax advisors/consultants for appropriate counsel with respect to the specific tax and other implications arising out of their participation in the Portfolio as indicated herein.

1. Taxability under the IT Act – heads of income

The returns received by the investors from various instruments forming part of the portfolio of the Scheme– in the form of dividends, interest and the gains on the sale/ transfer of the instruments, may be characterized under the following broad heads of income for the purposes of taxation under the IT Act:

- Profits and gains from business;
- Income from capital gains; and
- Income from other sources.

The returns from the investment in the form of dividends and interest would generally be subject to tax under the head “income from other sources”. Under certain circumstances depending upon the facts and circumstances of the taxpayer, the interest income may be subject to tax under the head “Profits and gains from business”.

The returns from the sale of the instrument or security may be characterised either as “Profits and gains from business” or as “Capital Gains”. This is discussed in the following paragraph.

“Profit and gains from business” versus “Capital gain”

Gains from the transfer of securities/instruments of the investee companies may be characterised as “Capital Gains” or as “Profits and gains from business” in the hands of an investor, depending upon whether the investments in the scheme are held as investments or as stock in trade. This can vary based on the facts of each investor’s case (including factors such as the magnitude of purchases and sales, ratio between purchases and sales, the period of holding, whether the intention to earn a profit from sale or to earn dividend etc.).

The Central Board of Direct Taxes (“CBDT”) has issued a circular no. 4/2007, dated 15 June 2007 that lays down certain criteria for guiding tax officers in this regard. The CBDT has further issued a clarificatory Circular no. 6/2016 dated 29 February 2016 regarding the

characterisation of income from transactions in listed shares and securities and instruction no. F.No.225/12/2016/ITA.II dated 2 May 2016 in respect of taxability of income/loss arising from transfer of unlisted shares under the IT Act.

The investors may obtain specific advice from their tax advisors regarding the tax treatment of their investments in the Scheme.

2. Summary of tax implications of various types of instruments

The tax implications in respect of various financial instruments in which the funds of the investors may be invested are briefly discussed in the following paragraphs and referenced in the table below:

Sr. No.	Type of instrument	Taxation of dividend/ interest	Taxation of sale/ transfer characterized as capital gain	Taxation of sale/ transfer characterized as business income
		<i>Reference to paragraph in which tax treatment is discussed</i>		
1	Equity shares-unlisted	3.1	3.4 & Note 4	3.3
2	Preference shares - unlisted	3.1	3.4 & Note 4	3.3
3	Equity shares - listed	3.1	3.4 & Note 3	3.3
4	Preference shares - listed	3.1	3.4 & Note 4	3.3
5	Convertible preference shares	3.1	3.4, 3.4.2.1, & Note 3&4	3.3
6	Convertible debentures	3.1 and 3.2	3.4, 3.4.2.1, & Note 3&4	3.3
7	Debentures, bonds, fixed deposits, other coupon bearing instruments	3.2	3.4 & Note 4	3.3
8	Zero coupon bonds, deep discount bonds and also structured debentures (where returns payable at maturity are linked to value of some other security)	3.2	3.4 & Note 4	3.3
9	Derivatives - futures and options - listed	Not applicable	3.4 & Note 4	3.3
10	Units of equity oriented mutual fund	3.1	3.4 & Note 3	3.3
11	Units other than those of equity oriented mutual fund	3.1	3.4 & Note 4	3.3
12	Share warrants and other similar instruments (unlisted)	3.2, if applicable	3.4, 3.4.2.1, & Note 4	3.3

3. Detailed discussion on taxation of dividend, interest, profits from business and capital gains

3.1 Taxation of Dividend

Dividends declared, distributed or paid up to 31 March 2020

Dividend received from shares (including preference shares) of an Indian company and income from units issued by Mutual Funds registered with the Securities and Exchange Board of India (SEBI), which are subject to dividend distribution tax (DDT), are exempt from income-tax in the hands of the investors, being the shareholders/unit holders, as the case may be.

However, with effect from financial year 2017-2018, any income earned by a specified assessee who is a resident in India, by way of dividend declared, distributed or paid by a domestic company on or before 31 March 2020, in aggregate exceeding INR 10 lakhs shall be chargeable to tax at the rate of 10 (excluding applicable surcharge and health and education cess) on gross basis.

‘Specified assessee’ means a person other than (i) domestic company; or (ii) a fund or institution or trust or any university or other educational institution or any hospital or other medical institution as referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10; or (iii) a trust or institution registered under section 12A or section 12AA or section 12AB[^]

[^]Section 12AB is inserted by FA 2020 with effect from 1 June 2020

Dividends declared, distributed or paid from 1 April 2020

With effect from 1 April 2020, FA 2020 has abolished the DDT charged under section 115O and section 115R of the IT Act on the dividends paid by the domestic company and Mutual Fund, respectively, thereby transferring the tax burden completely in the hands of the shareholders/ unitholders. Resultantly, section 10(34) and section 10(35) of the IT Act has also been deleted. Currently, the dividend is taxable in the hands of the unitholders at the applicable tax slab rates (Refer Note 1 for tax rates) and also, subject to withholding of taxes at source by the Mutual Fund at following rates:

Particulars	Tax Implications in Dividend received by unit holders	Withholding of Taxes by Mutual Fund
Resident (Individuals / Non-corporates / Corporates)	Taxed in the hands of unitholders at applicable rate under the provisions of the IT Act (Refer Note 1)	10% under section 194K of the IT Act*

Particulars	Tax Implications in Dividend received by unit holders	Withholding of Taxes by Mutual Fund
Non-residents (Individuals / Non-corporates / Corporates)**	Taxed in the hands of unitholders at the rate of 20% under section 115A of the IT Act. (plus applicable surcharge and cess).	20% (plus applicable surcharge and cess) u/s 196A of the IT Act

* As per provision of section 194K of the IT Act, where the amount of income credited or paid in a financial year, in aggregate, does not exceed INR 5,000, no withholding is required to be carried out.

Further, where any person furnishes a NIL/ lower withholding certificate obtained under section 197 of the Act/ certificate in Form 15G/ Form 15H of the IT Act, the same can be considered for withholding tax purposes.

** Taxability in the hands of non-resident Individuals / non-resident non-corporates / non-resident corporates shall be subject to Double Taxation Avoidance Agreement (“DTAA” or “tax treaty”) benefits which can be claimed in the return of income to be filed by such investors. The investors should obtain specific advice from their tax advisors regarding the availability of the tax treaty benefits.

Such dividend or income from units is now taxable in the hands of investors after the deduction of interest expense incurred if any, and such deduction shall not exceed 20% of the dividend or income from units under section 57 of the IT Act.

3.2 Taxation of Interest

Income by way of interest received on debentures, bonds, and other debt instruments held as investments will be charged to tax as under the head “Income from Other Sources”.

Further, in respect of structured debentures (where returns payable at maturity may be linked to value of some other security), the returns earned on maturity, would arguably, be characterized as interest, as the instrument is basically in the nature of a debt instrument.

Such interest taxed under the head “Income from other sources”, would therefore be taxed at the rates applicable to the investor after deduction of expenses allowable under section 57 of the IT Act. These are essentially, expenses (not being in the nature of capital expenditure) laid out or expended wholly and exclusively for the purpose of earning the interest income.

In case of debentures, bonds or other debt instruments held as stock in trade and sold before their maturity, the interest accrued thereon till the date of sale and included in the sale price, may also be charged to tax as “business income” (treatment separately discussed below).

Further, in case of certain specific fixed income securities and certain debt instruments, purchased and held as investments and transferred prior to maturity, the gain from the transfer may also possibly be characterised as “capital gains” (treatment separately discussed).

The investors may obtain specific advice from their tax advisors regarding the tax treatment of their investments in the Scheme.

3.3 Taxation of Profits and gains from business

As discussed above, depending on the particular facts of each case, the investments may, in certain cases, be regarded to be in the nature of stock in trade and, hence, the gains from the transfer/ sale of such investments would be considered to be in the nature of “Profits and gains from business”.

In such a scenario, the gains from the business of investing through the Scheme would be chargeable to tax on a ‘net’ basis (that is, net of allowable deductions for expenses/allowances under Chapter IV-D of the IT Act).

The “Profits and gains from business” so computed, as reduced on account of set-off of losses and unabsorbed allowances, if any, would go to form part of the gross total income of the investor.

The gross total income would be reduced by deduction if any available under Chapter VI-A of the IT Act (also refer paragraph 3.5.2) and the resultant total income would be subject to tax at the tax rates as applicable to the investor (refer Note 1).

Investors should obtain specific advice from their tax advisors regarding the manner of computing business income, the deductions available therefrom and the tax to be paid thereon.

3.4 Taxation of Capital Gains

As discussed above, based on the particular facts of the IT Act, the investments may, in certain cases, be regarded to be in the nature of capital assets and hence the gains from the transfer/ sale of such investments would be considered to be in the nature of “capital gains”.

3.4.1 Period of holding – long-term & short-term capital gains

A security (other than a unit) listed on a recognised stock exchange in India or a unit of an equity oriented fund or zero coupon bonds (as defined) held for a period of more than 12 months are considered long-term capital assets.

Further, the share of a company (not being a share listed in a recognised stock exchange in India) or an immovable property, being land or building or both, held for a period of more than 24 months is considered as long-term capital asset.

Any assets other than as described above are considered long-term capital assets where they are held for a period of more than 36 months.

The above assets, where held for a period of not more than 12 months or 24 months or 36 months, as the case may be will be treated as short-term capital assets.

The gains arising from the transfer of long-term capital assets is termed as long-term capital gains.

The gains arising from the transfer of short-term capital assets is termed as short-term capital gains.

3.4.2 Computation of capital gains

Capital gains are computed after reducing from the consideration received from the transfer of the capital asset, the cost of acquisition of such asset and the expenses incurred wholly and exclusively in connection with the transfer.

On transfer of a long-term capital asset being securities other than bonds or debentures or specified capital assets referred to in section 112A of the IT Act, the cost will be indexed by using the cost inflation index notified by the Government of India and the 'indexed cost of acquisition' would be considered for the purposes of computing the long-term capital gains arising on such transfer.

However, where the bonds are in the nature of capital indexed bonds issued by the Government or Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015, the 'indexed cost of acquisition' should be considered for the purposes of computing the long-term capital gains arising on transfer of such bonds.

3.4.2.1 Certain special provisions relating to computation of capital gain

a. Convertible debt

The conversion of bonds or debentures, debenture-stock or deposit certificates in any form, of a company into shares or debentures of that company is not regarded as transfer and hence such conversion would not attract capital gains tax.

The cost of the shares or debentures so acquired upon conversion shall be that part of the cost of debenture, debenture-stock or deposit certificates in relation to which such share or debenture is acquired by the assessee.

b. Convertible preference shares

The conversion of preference shares of a company into equity shares of that company is not regarded as transfer and hence such conversion would not attract capital gains tax.

The cost of the equity shares so acquired upon conversion of the preference shares shall be that part of the cost of preference shares in relation to which such equity share is acquired by the assessee. Further, the period of holding of such equity shares so acquired shall include the period for which the preference shares were held by the assessee.

c. Rights shares

Where the investor becomes entitled to apply for additional shares (“right shares”) in a company by virtue of his holding shares in the company, the cost of acquisition of the said rights shares would be the amount actually paid for acquiring such rights shares.

d. Bonus shares

Where the investor becomes entitled to receive free of cost, additional shares (“bonus shares”) in a company by virtue of his holding shares in the company, the cost of acquisition of the said bonus shares would be nil.

e. Warrants

Where the investor becomes entitled to receive shares in a company in lieu of any warrants held, the cost of acquisition of the said shares would be the amount actually paid for acquiring such warrants.

The taxability of long-term and short-term capital gains is discussed in the following paragraph:

3.4.3 Nature of transactions and resultant capital gain treatment

Transactions in purchase or sale of an equity share in a company or a derivative or a unit of an equity oriented fund entered into on a recognized stock exchanges and transactions in respect of sale of units of an equity oriented fund to a mutual fund attract securities transaction tax (‘STT’) and are referred to as taxable securities transactions (Refer Note 5). Such transactions in respect of equity shares and units of an equity oriented funds (but excluding transactions in derivatives) are subject to certain concessions in capital gains tax treatment.

Such concessional capital gains tax treatment, as applicable to taxable securities transactions, excluding transactions in derivatives, is given in Note 3.

The “regular” capital gains tax treatment of transactions is given in Note 4.

The following transactions (not attracting STT), for example, would attract the “regular” capital gains tax provisions:

- Transactions of sale of shares of unlisted companies (except for example, where these may be shares which are sold by the holder of such shares under an offer for sale to the public in an initial public offer and which may be ultimately listed on a recognised stock exchange)

- Transactions of sale of preference shares
- Transactions of sale of debentures, bonds, listed or otherwise; and
- Transactions in structured debentures.

3.4.4 Set off of capital losses

Long-term capital loss of a tax year cannot be set off against short-term capital gains arising in that year. On the other hand, short-term capital loss in a year can be set off against both short-term and long-term capital gains of the same year.

Unabsorbed short-term and long-term capital loss of prior years can be separately carried forward for not more than 8 assessment years immediately succeeding the assessment year for which the first loss was computed. Unabsorbed short-term capital loss shall be eligible for set off against short-term capital gains as well as long-term capital gains. However, unabsorbed long-term capital loss shall be eligible to be set off only against long-term capital gains.

3.5 Other tax provisions

3.5.1 Provisions regarding Dividend & Bonus stripping in certain circumstances

Losses arising from the sale/transfer (including redemption) of securities including units purchased up to 3 months prior to the record date (for entitlement of dividends or income from units declared up to 31 March 2020) and sold within 9 months (in case of units) or 3 months (in case of any other securities) after such date, will be ignored while computing the income to the extent of income distribution (excluding redemptions) on such units is claimed as tax exempt by the unit holder.

With effect from 1 April 2020, any dividend or income distributed in respect of units are not subject to DDT and hence, such income is now taxable in the hands of shareholder/unit holder. Therefore, the provisions of dividend stripping shall not apply on such dividend or income from units.

In case of units purchased within a period of 3 months prior to the record date, (for entitlement of bonus) and sold/transferred (including redeemed) within 9 months after such date, the loss arising on transfer of all or any such units shall be ignored for the purpose of computing the income chargeable to tax. The loss so ignored shall be treated as cost of acquisition of such bonus units.

3.5.2 Certain deductions available under Chapter VI-A of the IT Act

Individuals and Hindu Undivided Families would be allowed deduction in computing total income, *inter alia*, under section 80C of the IT Act for an amount not exceeding Rs 150,000 with respect to sums paid or deposited in the previous year in certain specified schemes. Effective 1 April 2012, contributions by Central Government or any other employer to a pension scheme will not be considered for the overall monetary ceiling of Rs. 150,000 under section 80CCE of the IT Act.

The FA 2020 has announced a new tax regime for the taxpayers like individual and HUF, where taxpayers are given an option to pay taxes at a concessional rate (new slab rates) from FY 2020-21 onwards (refer note 1). Any individual/ HUF opting for such the new tax regime from FY 2020-21 onwards will have to discharge taxes on income at the concessional rate prescribed by forgoing specified exemptions and deductions (i.e. house rent allowance, deduction under Chapter VI-A other than the provisions of section 80CCD(2) and section 80JJAA of the IT Act, without set off of any losses) and satisfaction of certain conditions.

3.5.3 Alternate Minimum Tax (“AMT”)

The Finance Act 2012 has provided the levy of AMT to tax investors (other than companies) to pay AMT at the rate of 18.5 percent on the adjusted total income. In a situation where the income-tax computed as per normal provisions of the IT Act is less than the AMT on “adjusted total income”, the investor shall be liable to pay tax as per AMT. “Adjusted total income” for this purpose is the total income before giving effect to the deductions claimed under section C of chapter VI-A (other than section 80P) and deduction claimed, if any, under section 10AA and deduction claimed, if any, under section 35AD as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed. AMT will not apply to an Individual, HUF, AOP, BOI or an Artificial Juridical Person if the adjusted total income of such person does not exceed INR 20 lakhs. As per sub-section (5) to section 115JC of the IT Act, inserted by FA 2020, the provisions of AMT shall not be applicable in case of any person who has exercised the option to be taxed as per the provisions of section 115BAC or section 115BAD of the IT Act.

Further, the credit of AMT can be further carried forward to fifteen subsequent years and set off in the years(s) where regular income tax exceeds the AMT.

The provisions of AMT also provide that the Foreign Tax Credit (FTC) claimed against AMT liability which exceeds the FTC that would have been allowable while computing income under normal provisions, would be ignored while computing tax credit under AMT.

3.5.4 Taxability of non-resident investors

In case of non-resident investor who is a resident of a country with which India has signed a DTAA (which is in force), income tax is payable at the rates provided in the IT Act, as discussed above, or the rates provided in such tax treaty, if any, whichever is more beneficial to such non-resident investor.

For non-residents claiming such tax treaty benefits, the IT Act mandates the obtaining from the home country tax authority of a Tax Residency Certificate (“TRC”) in a format as prescribed.

Where the required information¹ is not explicitly mentioned in the TRC, non-resident taxpayer shall be required to execute self-declaration in Form 10F in the format prescribed as per Rule 21AB of the Income-tax Rules, 1962 (Rules).

The non-residents shall be required to keep and maintain the aforesaid documents (i.e. TRC and Form 10F) in order to substantiate the claim of tax treaty benefits.

As per the provisions of section 115A of the IT Act, where the income of a non-resident (not being a company) or a foreign company comprises of *inter-alia* dividend or interest income and appropriate taxes have been withheld in accordance with the provisions of Chapter XVII-B of the IT Act on such income by the payer, such non-resident is not required to furnish the return of income under section 139(1) of the IT Act.

3.5.5 Minimum Alternative Tax (MAT)

Section 115JB of the IT Act, provides that where the tax liability of a company (under the regular provisions of the IT Act) is less than 18.5 percent of its 'book profit', then the book profit is deemed to be its total income and tax at the rate of 18.5 percent (plus applicable surcharge and an health and education cess) is the minimum alternate tax (MAT) payable by the company.

Taxation Laws (Amendment) Act, 2019 has reduced the base rate of MAT from 18.5 percent to 15 percent effective from the AY 2020-21.

The above provisions of section 115JB of IT Act shall not be applicable to domestic companies opting for concessional rate of tax under section 115BAA and section 115BAB of the IT Act (refer Note 1 for detailed discussion of section 115BAA and section 115BAB of IT Act).

Tax credit is allowed to be carried forward for fifteen years immediately succeeding the assessment year in which tax credit becomes allowable. The tax credit can be set-off in a year when the tax becomes payable on the total income is in accordance with the regular provisions of the IT Act and not under MAT. Further, CBDT vide circular No. 29/2019 dated 2 October 2019 clarified that domestic companies opting for concessional rate of tax under section 115BAA will not be allowed to setoff brought forward credit of taxes paid under the MAT provisions of the IT Act.

As per the provisions of section 115JB of the IT Act, the amount of income accruing or arising to a foreign company from capital gains arising on transactions in securities, interest, royalty, or fees for technical services chargeable to tax at the rates specified in Chapter XII of the IT Act, shall be excluded from the purview of MAT, if such income is credited to the Profit and

¹ - Status (individual, company, firm etc) of the taxpayer;
- Nationality (in case of an individual) or country or specified territory of incorporation or registration (in case of others);
- Taxpayer's tax identification number in the country or specified territory of residence (In case there is no such number, then, a unique number on the basis of which the person is identified by the Government of the country or the specified territory of which the taxpayer claims to be a resident);
- Period for which the residential status, as mentioned in the certificate of residence is applicable; and
- Address of the taxpayer in the country or specified territory outside India, during the period for which the certificate is applicable.

Loss Account and the tax payable on such income under the normal provisions is less than the MAT rate of 15%. Consequently, corresponding expenses shall also be excluded while computing MAT.

Further, Explanation 4 to section 115JB of the IT Act clarifies that provisions of MAT will not apply to a foreign company if:

- a) It is a resident of a country with which India has a DTAA and the company does not have a permanent establishment in India in accordance with the provisions of such DTAA; or
- b) it is a resident of a country with which India does not have a DTAA and the foreign company is not required to register under any law applicable to companies.

The above Explanation is inserted and shall be deemed to be effective from AY 2001-02.

Further, it is provided that the FTC claimed against MAT liability which exceeds the FTC that would have been allowable while computing income under normal provisions, would be ignored while computing tax credit under MAT.

3.5.6 General Anti Avoidance Rules (GAAR)

The General Anti Avoidance Rule (GAAR) was introduced in the Income-tax Act by the FA, 2012 and was proposed to be made effective 1 April 2013. The FA 2015 makes the provisions of GAAR applicable prospectively from 1 April 2017. Further, investments made up to 31 March 2017 would be protected from the applicability of GAAR.

3.5.7 Widening of taxability of Capital Gains

In the context of taxation of capital gains, the definitions of “capital asset” and “transfer” are widened with retro-effect from 1 April 1961 specifically with a view to tax, in the hands of non-residents, gains from direct or indirect transfer of assets in India.

3.5.8 Consolidation of mutual fund schemes

Section 47 of the IT Act deals with transactions not regarded as transfer for the purpose of computing capital gains chargeable to tax under the provisions of the IT Act. FA 2015 has amended Section 47 of the IT Act to provide that transfer by a unit holder of units held by him on consolidation of schemes of a mutual fund shall not be treated as a transfer provided they are allotted units in the consolidated scheme of the mutual fund. The aforesaid exemption is provided only where the consolidation is of two or more schemes of an equity oriented fund or two or more schemes of a non-equity oriented fund.

Accordingly, Explanation 1 to Section 2(42A) relating to the period of holding has been amended to provide that the period of holding of the units of the consolidated scheme shall include the period for which the units in the consolidating scheme were held by the assessee.

Similarly, section 49 relating to the cost of acquisition of a capital asset has also been amended to provide that the cost of acquisition of the units of the consolidated scheme shall be deemed to be the cost of acquisition of the units in the consolidating scheme.

The FA 2016 had amended section 47 to provide that transfer by a unit holder of units held by him on consolidation of plan of a mutual fund scheme shall not be treated as a transfer provided they are allotted units in the consolidated plan of that scheme of the mutual fund.

The provisions of the IT Act provide that the cost of acquisition of the units in the consolidated plan of mutual fund scheme shall be the cost of units in the consolidating plan of a mutual fund scheme and period of holding of the units of the consolidated plan of a mutual fund scheme shall include the period for which the units in the consolidating plan of a mutual fund scheme were held by the assessee.

3.5.9 Segregation of mutual fund schemes

SEBI has, vide circular SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018, permitted creation of segregated portfolio of debt and money market instruments by Mutual Fund schemes. As per the SEBI circular, all the existing unit holders in the affected scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio. Accordingly, on segregation, the unit holders hold same number of units in two schemes –the main scheme and segregated scheme.

In order to rationalize the tax provisions with SEBI regulations, FA 2020 has made following amendments to the provisions of the IT Act:

Explanation 1 to Section 2(42A) of the IT Act relating to the period of holding has been amended to provide that the period of holding of the units of the segregated scheme shall include the period for which the units in the main scheme were held by the assessee.

Similarly, a new sub-section (2AG) is inserted in section 49 of the IT Act to provide that the cost of acquisition of a unit or units in the segregated portfolio shall be the amount which bears to the cost of acquisition of a unit or units held by the assessee in the total portfolio, the same proportion as the net asset value of the asset transferred to the segregated portfolio bears to the net asset value of the total portfolio immediately before the segregation of portfolios.

Also, another sub-section (2AH) in the said section is inserted to provide that the cost of the acquisition of the original units held by the unit holder in the main portfolio shall be deemed to have been reduced by the amount so arrived at under sub-section (2AG).

Notes:

Note 1:

Resident Individuals and Hindu Undivided Families

The individuals and HUFs, are taxed in respect of their total income at the following rates:

Slab	Tax rate *
Total income up to Rs.250,000#	Nil
More than Rs.250,000# but up to Rs.500,000@	5 percent of excess over Rs.250,000
More than Rs.500,000 but up to Rs.1,000,000	20 percent of excess over Rs. 500,000 + Rs.12,500§
Exceeding Rs.1,000,000	30 percent of excess over Rs 1,000,000 + Rs.112,500§

@A resident individual (whose total income does not exceed Rs.500,000) can avail rebate under section 87A. It is deductible from income tax before calculating health and education cess. The amount of rebate available would be 100% of income-tax chargeable on his total income or Rs.12,500, whichever is less."

* plus surcharge (refer **Note 2**) and health and education cess at the rate of 4 per cent.

for resident senior citizens of sixty years of age and above but below eighty years of age, Rs. 250,000 has to be read as Rs. 300,000 and for resident senior citizens of eighty years of age 'and above Rs.250,000' has to be read as Rs. 500,000.

§Similarly for resident senior citizens of sixty years of age and above but below eighty years of age, Rs. 12,500 has to be read as 10,000 and Rs.112,500 has to be read as Rs. 110,000. And for resident senior citizens of eighty years of age and above Rs. 12,500 has to be read as Nil and Rs. 112,500 has to be read as Rs. 100,000.

The FA Act, 2020 has introduced a new section 115BAC in the IT Act to provide individuals and HUFs for an optional tax regime in respect of their total income at the following rates:

Slab	Tax rate*
Total income up to Rs.250,000	Nil
More than Rs.250,000 but up to Rs.500,000@	5 percent of excess over Rs.250,000
More than Rs.500,000 but up to Rs.750,000	10 percent of excess over Rs.500,000 + Rs.12,500
More than Rs.750,000 but up to Rs.1,000,000	15 percent of excess over Rs.750,000 + Rs.37,500
More than Rs.1,000,000 but up to Rs.1,250,000	20 percent of excess over Rs. 1,000,000 + Rs.75,000
More than Rs.1,250,000 but up to Rs.1,500,000	25 percent of excess over Rs. 1,250,000 + Rs.125,000
Exceeding Rs.1,500,000	30 percent of excess over Rs 1,500,000 + Rs.187,500

@A resident individual (whose total income does not exceed Rs.500,000) can avail rebate under section 87A. It is deductible from income tax before calculating health and education cess. The amount of rebate available would be 100% of income-tax chargeable on his total income or Rs.12,500, whichever is less."

* plus surcharge (refer **Note 2**) and health and education cess at the rate of 4 per cent.

The above new tax regime shall be subject to conditions and other proviso laid down under

the section 115BAC of the IT Act.

Further, individuals and HUF who do not have business income or income from profession can opt for new tax regime on a year on year basis. However, taxpayers earning business income or income from profession can opt into the regime only once on irrevocable basis. Such option will apply to all subsequent tax years and in a case where such option is withdrawn by the taxpayer, he shall not be eligible to avail the concessional slab rates in subsequent years until he ceases to have business income or income from profession.

Indian Companies

The tax rates applicable would be 30 percent (plus surcharge as applicable – see Note 2 and an additional surcharge by way of health and education cess of 4 percent on the amount of tax plus surcharge).

In case of a domestic company, where the total turnover or gross receipts of such company for financial year 2018-19 does not exceed Rs 400 crores, the rate of tax shall be 25 percent (plus surcharge as applicable, if applicable – see Note 2).

Taxation Laws (Amendment) Act, 2019 introduced a new section 115BAA which states that with effect from AY 2020-21, domestic companies shall have an option to pay income tax at the concessional rate of 22 percent (plus surcharge of 10 percent and an additional surcharge by way of health and education cess of 4 percent on the amount of tax plus surcharge) subject to the following conditions:

- no profit or investment linked deduction shall be availed under section 10AA, 32(1)(iia), 32AD, 33AB, 33ABA, 35(1)(ii), 35(1)(iia), 35(1)(iii), 35(2AA), 35(2AB), 35CCC, 35CCD or provisions of Chapter VI-A other than the provisions of section 80JJAA or section 80M;
- no set off of brought forward loss of any earlier assessment years, if such loss is attributable to any of the deductions referred to in above condition. Such losses are deemed to have been given effect to and no further deduction shall be allowed; and
- shall claim the depreciation under section 32, if any, except additional depreciation under section 32(1)(iia), determined in such manner as may be prescribed.

Certain additional points to be considered before opting for the provisions of the new section 115BAA of the IT Act are as below:

- Concessional rate of 22 percent shall not be applicable on incomes which are taxable at special rates.
- Provisions in relation to MAT under section 115JB of the IT Act shall not be applicable (refer para 3.5.5).
- Such option shall be exercised on or before the due date of filing the return of income under section 139(1) for on or after AY 2020-21.
- Such option once exercised, cannot be subsequently withdrawn.

Further, Taxation Laws (Amendment) Act, 2019 introduced a new section 115BAB of the IT Act, which states that with effect from AY 2020-21, domestic companies engaged solely in the business of manufacture/ production of any article/thing as the case may be, its related research or distribution and setup and registered on or after 1 October 2019 and who commences manufacturing or production up to 31 March 2023, will have an option to avail a

lower tax rate of 15 percent (plus surcharge of 10 percent and an additional surcharge by way of health and education cess of 4 percent on the amount of tax plus surcharge) subject to the following conditions:

- It is not formed by splitting-up/ reconstruction of a business already in existence;
- It should not use the following assets:
 - Any plant or machinery previously used in India in value exceeding 20% of total value of plant or machinery;
 - Any building previously used as a hotel/ convention centre in respect of which deduction under section 80ID of the IT Act has been claimed and allowed
- no profit or investment linked deduction shall be availed under section 10AA, 32(1)(iia), 32AD, 33AB, 33ABA, 35(1)(ii), 35(1)(iia), 35(1)(iii), 35(2AA), 35(2AB), 35CCC, 35CCD or provisions of Chapter VI-A other than the provisions of section 80JJAA or section 80M;
- no set off of any carried forward losses and unabsorbed depreciation available under section 72A of the Act by virtue of amalgamation/demerger or any other restructuring where such loss/depreciation is attributable to any of the deduction referred above ; and
- shall claim the depreciation under section 32, if any, except additional depreciation under section 32(1)(iia), determined in such manner as may be prescribed.

Certain additional points to be considered before opting for the provisions of the new section 115BAB of the IT Act are as below:

- Concessional rate of 15 percent shall not be applicable on incomes which are taxable at special rates.
- Provisions in relation to MAT under section 115JB of the IT Act shall not be applicable (refer para 3.5.5).
- Such option shall be exercised on or before the due date of filing the return of income under section 139(1) for on or after AY 2020-21.
- Such option once exercised, cannot be subsequently withdrawn.
- Income-tax payable in respect of income from short-term capital gains from transfer of capital asset on which no depreciation is allowable under the Act shall be computed at the rate of 22 percent (plus surcharge as applicable, see Note 2 and an additional surcharge by way of health and education cess of 4 percent on the amount of tax plus surcharge).

Partnership Firms & LLP's

The tax rates applicable would be 30 percent (plus surcharge if applicable – see Note 2 and an additional surcharge by way of health and education cess of 4 percent on the amount of tax plus surcharge).

Note 2: Surcharge (as applicable to the tax charged on income)

Assessee	Rate of surcharge applicable
<p>Non-corporate taxpayers (other than firms and co-operative societies), when income does not exceed Rs 5,000,000 and</p> <p>Non-corporate taxpayers being firms and co-operative societies, when income does not exceed Rs 10,000,000</p>	No basic surcharge.
<p>Non-corporate taxpayers (other than firms and co-operative societies), when income [including dividends# and capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act] exceeds Rs 5,000,000 but does not exceed Rs 10,000,000</p>	10 percent basic surcharge.
<p>Non-corporate taxpayers (other than firms and co-operative societies), when income [including dividends# and capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act] exceeds Rs 10,000,000 but does not exceed Rs 20,000,000</p>	15 percent basic surcharge.
<p>Non-corporate taxpayers (other than firms and co-operative societies), when income [excluding dividends# and capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act] exceeds Rs 20,000,000 but does not exceed Rs 50,000,000</p>	<ul style="list-style-type: none"> ➤ 25 percent basic surcharge on tax on income excluding dividend, capital gain under section 111A, section 112A and section 115AD(1)(b) of the IT Act, and ➤ 15 percent basic surcharge on tax on dividend, capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act.
<p>Non-corporate taxpayers (other than firms and co-operative societies), when income [excluding dividends# and capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act] exceeds Rs 50,000,000</p>	<ul style="list-style-type: none"> ➤ 37 percent basic surcharge on tax on income excluding dividend, capital gain under section 111A, section 112A and section 115AD(1)(b) of the IT Act, and ➤ 15 percent basic surcharge on tax on dividend, capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act.
<p>Non-corporate taxpayers (other than firms and co-operative societies), when income [excluding dividends# and capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act] does not</p>	15 percent basic surcharge.

Assessee	Rate of surcharge applicable
exceeds Rs 20,000,000 but income [including dividends# and capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act] exceeds Rs 20,000,000	
Non-corporate taxpayers being firms or co-operative societies, when income exceeds Rs 10,000,000	12 percent basic surcharge.
Domestic companies (other than companies availing benefit under section 115BAA of the IT Act) having taxable income equal to or less than Rs.10,000,000	No basic surcharge.
Domestic companies (other than companies availing benefit under section 115BAA of the IT Act) having taxable income more than Rs. 10,000,000 but does not exceed Rs 100,000,000	7 percent basic surcharge.
Domestic companies (other than companies availing benefit under section 115BAA of the IT Act) having taxable income more than Rs 100,000,000	12 percent basic surcharge.
Domestic companies availing benefit under section 115BAA and section 115BAB of the IT Act	10 percent basic surcharge (irrespective of taxable income).
Foreign Companies (including corporate Foreign Portfolio Investors (FPI)) having taxable income equal to or less than Rs. 10,000,000 per annum	No basic surcharge.
Foreign Companies (including corporate FPI) having taxable income more than Rs.10,000,000 but does not exceed Rs 100,000,000 per annum	2 percent basic surcharge.
Foreign companies (including corporate FPI) having taxable income more than Rs 100,000,000	5 percent basic surcharge.

Tax plus surcharge shall be further increased by a health and education cess of 4 percent.

Refers to dividend received from domestic companies and not to income from units received from Mutual Funds.

Additionally, any non-resident non-corporate shareholders (including FPI) having dividend income under section 115A(1)(a)(i) and section 115AD(1)(a) of the IT Act, shall not be eligible for the reduced rate of surcharge (i.e. 15 percent as discussed above) while offering such

income to tax.

Note 3: Concessional capital gains tax rates (see paragraph 3.4.3)

Section 10(38) of the Act grants exemption up to 31 March 2018 to any income arising 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 (“specified assets”), held for a period of more than 12 months, provided the transaction giving rise to the capital gains, attracts STT.

The income by way of long-term capital gains earned by a company would be taken into account in computing the book profits and Minimum Alternate Tax payable, if any, under section 115JB of the Act (irrespective of whether or not it is exempt under section 10(38) of the Act).

The FA 2018, with effect from 1 April 2018 has withdrawn the exemption under section 10(38) of the Act on long-term capital gains on sale of specified assets on which STT is chargeable and has introduced new section 112A of the Act.

As per the provisions of section 112A of the IT Act, as introduced by FA 2018 in respect of transfer of specified assets by any person on or after 1 April 2018, tax at the rate of 10 per cent (plus applicable surcharge and health and education cess) shall be levied on long-term capital gains, exceeding INR 1,00,000 in a financial year. The concessional rate of 10% is applicable in case of an equity share in a company, where STT has been paid on acquisition and transfer of such capital asset and in a case of a unit of an equity oriented fund or a unit of a business trust, where STT has been paid on transfer of such capital asset.

The long term capital gains are required to be computed without giving effect to the first and second provisos to section 48 of the Act, i.e. benefit of foreign currency fluctuation and indexation in respect of cost of acquisition and improvement is not available.

Further, the Central Government has notified certain transactions vide notification no. 60/2018/F.No.370142/9/2017 on 1 October 2018 where the benefit of 10% tax rate on long term capital gains shall be available even though the acquisition of securities is not chargeable to STT.

As per the provisions of section 112A read with section 55(2)(ac) of the IT Act, as introduced by FA 2018, for the purpose of computing capital gains in relation to 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, acquired before 1 February 2018, the cost of acquisition is deemed to be the higher of:

- The cost of acquisition of such asset; and
- The lower of –
 - (a) the fair market value of such asset; and
 - (b) full value of consideration received or accruing as a result of the transfer of the capital asset.

Fair market value has been defined to mean –

- a) in a case where the capital asset is listed on any recognized stock exchange, the highest price of the capital asset on such exchange on 31 January 2018. However, where there is no trading in such asset, on such exchange on 31 January 2018, the highest price of such asset on such exchange on a date immediately preceding the 31 January 2018 when such asset was traded on such exchange shall be the fair market value.
- b) in a case where the capital asset is a unit and is not listed on recognized stock exchange, the net asset value of such unit as on said date;
- c) in case where the capital asset is an equity share in company which is
 - i) not listed on a recognised stock exchange as on 31 January 2018 but listed on such exchange on the date of transfer;
 - ii) listed on a recognised stock exchange on the date of transfer and which became the property of the taxpayer in consideration of share which is not listed on such exchange as on 31 January 2018 by way of transaction not regarded as transfer under section 47 of the Act,

an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for 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;

Short-term capital gain on sale of an equity share in a company or sale of an unit of an equity oriented fund, subject to STT, is taxable at 15 percent (plus applicable surcharge – see note 2).

Note 4: Regular capital gains tax rates (see paragraph 3.4.3)

1. Tax on Long-term Gains

1.1 For all Residents (including Indian Corporates)

Long-term Capital Gains will be chargeable to tax under Section 112 of the IT Act, at a rate of 20 percent (plus applicable surcharge – see note 2) with indexation.

Alternatively, the tax rate may be reduced to 10 percent without indexation (plus applicable surcharge and health and education cess– see note 2) in respect of listed securities (other than a unit) or zero coupon bonds (as defined).

1.2 For Resident Individuals and HUFs only

Where the taxable income as reduced by long-term capital gains is below the exemption limit, the long-term capital gains will be reduced to the extent of the shortfall and only the balance long-term capital gains will be charged at a rate of 20 percent with indexation (plus applicable surcharge – see note 2).

Alternatively, the tax rate may be reduced to 10 percent without indexation (plus applicable surcharge and health and education cess – see note 2) in respect of listed securities (other than a unit) or zero coupon bonds as defined.

1.3 For Non-Resident Individuals (relevant in cases where the status of the investor is 'non-resident' at the time of divestment)

Long-term capital gains in case of listed securities will be chargeable under Section 112 of the IT Act at a rate of 20 percent (plus applicable surcharge and health and education cess – see note 2) with applicable foreign exchange fluctuation benefit or indexation, as the case may be. The tax payable (for other than a listed unit) could alternatively be determined at 10 percent (plus applicable surcharge and health and education cess – see note 2) without indexation.

Further, long-term capital gains arising out of the transfer of unlisted securities or shares of a company not being a company in which the public are substantially interested shall be subject to tax at the rate of 10% (plus applicable surcharge and health and education cess –see note 2) without giving effect to indexation and foreign exchange fluctuation benefit.

The above mentioned rates would be subject to applicable treaty relief (see note 3.5.4)

2. Tax on Short-term Capital Gains

Short-term capital gains (other than that mentioned in Note 3 above) are chargeable to tax as per the applicable general tax rates (discussed in Note 1 above).

Note 5: STT and value of taxable securities transaction

STT is levied on a taxable securities transaction as follows:

Sr. No	Taxable securities transaction	Existing Tax Rate (percent)	Payable by
1	Purchase of an equity share in a company* [or a unit of a business trust], where (a) the transaction of such purchase is entered into in a recognised stock exchange; and (b) the contract for the purchase of such share or unit is settled by the actual delivery or transfer of such share or unit	0.1	Purchaser
2	Purchase of a unit of an equity oriented fund, where (a) the transaction of such purchase is entered into in a recognised stock exchange; and (b) the contract for the purchase of such share or unit is settled by the actual delivery or transfer of such share or unit	NIL	N.A.
3	Sale of an equity share in a company *[or a unit of a business trust], where -	0.1	Seller

	(a) the transaction of such sale is entered into in a recognised stock exchange; and (b) the contract for the sale of such share or unit is settled by the actual delivery or transfer of such share or unit		
4	Sale of a unit of an equity oriented fund, where (a) the transaction of such sale is entered into in a recognised stock exchange; and (b) the contract for the sale of such unit is settled by the actual delivery or transfer of such unit	0.001	<i>Seller</i>
5	Sale of an equity share in a company or a unit of an equity oriented fund, where: (a) the transaction of such sale is entered into in a recognised stock exchange; and (b) the contract for the sale of such share or unit is settled otherwise than by the actual delivery or transfer of such share or unit	0.025	<i>Seller</i>
6	Sale of a derivative, where the transaction of such sale is entered into in a recognised stock exchange, STT is leviable as under: - Sale of an option in securities - Sale of an option in securities, where the option is exercised** - Sale of a future in securities	0.05 0.125 0.01	<i>Seller</i> <i>Purchaser</i> <i>Seller</i>
7	Sale of unit of an equity oriented fund to a Mutual Fund	0.001	<i>Seller</i>
8	Sale of unlisted equity shares under an offer for sale	0.2	<i>Seller</i>
9	Sale of unlisted units of a business trust under an offer for sale [referred in clause 13 of section 97 of the Finance (No.2) Act 2004]	0.2	<i>Seller</i>

The value of a taxable securities transaction will be as follows:

- in the case of a taxable securities transaction relating to “option in securities”, the option premium of such “option in securities”;
- in the case of a taxable securities transaction relating to “option in securities”, where the option is exercised, the settlement price”;
- in the case of taxable securities transaction relating to “futures”, the price at which such “futures” are traded; and
- in the case of any other taxable securities transaction, the price at which such

securities are purchased or sold.

**** STT is applicable on difference between the settlement price and strike price as against settlement price. The said amendment is effective from 1 September 2019**

STT is required to be paid by the stock exchange/ Mutual Fund, as the case may be and in turn will be charged to/ recovered from the investor as the seller or purchaser, as the case may be.

Rebate of STT paid

The STT paid in respect of taxable securities transactions entered into the course of business shall be allowed as deduction in computing "business income" in respect of such taxable securities transactions.

If the income on sale of securities is treated as 'capital gains', no deduction of STT paid will be allowed from these gains.

Note 6: Relevant definitions under the IT Act

"Taxable securities transaction" has been defined as a purchase or sale of an equity share in a company or a derivative or a unit of an equity oriented fund, entered into in a recognized stock exchange; or sale of unlisted equity shares by any holder of such shares under an offer for sale to the public included in an initial public offer and where such shares are subsequently listed on a recognised stock exchange; or sale of a unit of an equity oriented fund to the Mutual Fund.

"Equity oriented fund" is defined to mean a fund - set up under a scheme of a mutual fund specified under clause 23(D) of section 10 and

In case where the fund invests in the units of another fund which is traded on a recognised stock exchange -

- a minimum of 90% of the total proceeds of such fund is invested in the units of such other fund; and
- such other fund also invests a minimum of 90% of its total proceeds in the equity shares of domestic companies listed on a recognized stock exchange; and

In any other case, a minimum of 65% of the total proceeds of such fund is invested in the equity shares of domestic companies listed on a recognised stock exchange.

Provided that the percentage of equity shareholding or unit held in respect of the fund, as the case may be, shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

"Money market mutual fund" is defined to mean a money market mutual fund as defined in sub-clause (p) of clause (2) of the Securities and Exchange Board of India (Mutual Funds)

Regulations, 1996.

“*Liquid fund*” is defined to mean a scheme or plan of a mutual fund which is classified by the Securities and Exchange Board of India as a liquid fund in accordance with the guidelines issued by it in this behalf under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or regulations made thereunder.]

“*Securities*” shall have the same meaning as assigned in section 2(h) of the Securities and Contracts (Regulation) Act, 1956, which, *inter alia*, includes:

- shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;
- derivative;
- units or any other such instrument issued to the investors under any mutual fund scheme; and
- rights or interest in securities;

For the purpose of section 112 of the IT Act:

- “*Listed securities*” means the securities which are listed on any recognised stock exchange in India.
- “*Unlisted securities*” means securities other than listed securities.

“*Zero coupon bond*” means a bond-

- issued by any infrastructure capital company or infrastructure capital fund or public sector company [or scheduled bank] on or after 1 June 2005;
- in respect of which no payment and benefit is received or receivable before maturity or redemption from infrastructure capital company or infrastructure capital fund or public sector company [or scheduled bank]; and
- which the Central Government may, by notification in the Official Gazette, specify in this behalf.

Note 7: Amendments in the withholding tax provisions effective 1 April 2010

As per provisions of section 206AA of the IT Act, the payer would be obliged to withhold tax at penal rates of TDS in case of payments to investors who have not furnished their PAN to the payer. The penal rate of TDS is 20 percent or any higher rate of TDS, as may be applicable, plus applicable surcharge and health and education cess.

The FA 2016 has amended section 206AA of the IT Act to provide that the provisions shall not apply to non-residents in respect of payment of interest on long-term bonds as referred to in section 194LC and any other payment subject to such conditions as may be prescribed.

Further, the CBDT, vide its notification dated 24 June 2016, has clarified that the provisions of section 206AA shall not apply to non-residents in respect of payments in the nature of interest, royalty, fees for technical services and payment on transfer of capital assets provided the non-residents provide the following information to the payer of such income:

- Name, email-id, contact number;

- Address in the country or specified territory outside India of which the deductee is a resident;
- A certificate of his being resident in any country or specified territory outside India from the government of the other country or specified territory if the law of that country or specified territory provides for issuance of such certificate;
- Tax Identification Number of the deductee in the country or specified territory of his residence and in a case, no such number is available, then a unique number on the basis of which the deductee is identified by the Government of that country or the specified territory of which he claims to be a resident.

Section 8.0 - Client Representation and Performance

Franklin Templeton Private Equity Strategy (FTPES), a PMS product under the discretionary portfolio management service ended on September 18, 2016. The final disbursement has been paid out to most of the clients but the same could not be paid to some clients as their bank accounts are inoperative. The sale proceeds of the investments yet to be paid to such clients' amount to Rs. 2.64 lakhs as on March 31, 2020. Accordingly, it may be noted that the product is closed and payments to remaining clients shall be made once bank account details are received from them.

We will be continuing with our advisory business and are looking at a couple of other business opportunities under the PMS license.

Details of the Client Representation is provided in Annexure 4 to this Document.

Section 9.0 - Investor Services

9.1 Investor Service Officer

Name of Officer : **Ms. Chitra Jessey David**
 Address : Unit 301, 3rd Floor, Campus 4B, RMZ Millenia Business Park, 143
 Dr. MGR Road, Kandanchavadi, Chennai - 600096

Telephone Number : +91 44 24407000

E-mail : FTPMSCS@franklintempleton.com

Investors can also lodge their grievances through SEBI's web based complaints redress system SCORES platform at <http://scores.gov.in>

9.2 Grievances / Dispute handling mechanism

The Portfolio Manager shall attend to and address any Client query or concern as soon as possible to mutual satisfaction. The above mentioned officer shall attend to the grievances of the Client.

The complaints by investors should be sent to the above mentioned address.

9.3 Dispute Settlement Mechanism

9.3.1 Any dispute arising out of or in relation to the Agreement shall be submitted to sole arbitration by parties under the Arbitration and Conciliation Act, 1996. Such Arbitration proceedings shall be held at Mumbai and the language of the arbitration shall be English.

9.3.2 Each party to arbitration hereunder shall pay its own legal fees and expenses incurred in connection with the arbitration and the expenses of any witness produced by it. The cost of any stenographic record and all transcripts thereof shall be prorated equally among all parties ordering copies and shall be paid by such parties directly to the reporting agency. All other expenses of the arbitrators and the expenses of any witness or the cost of any proof produced at the request of the arbitrator shall be borne as determined by the arbitrator.

9.3.3 Any award in connection with any arbitration proceeding hereunder shall be final, binding and not subject to appeal, and any judgment upon such award may be entered and enforced in any court of competent jurisdiction.

9.3.4 The Agreement shall be governed by the laws of India. The Courts of Mumbai shall have exclusive jurisdiction to adjudicate upon the claims of the parties to the Agreement.

Section 10.0 - General Information

10.1 - Prevention of Money Laundering

Prevention of Money Laundering Act, 2002 ('PML Act') came into effect from July 1, 2005 vide Notification No. GSR 436(E) dated July 1, 2005 issued by Department of Revenue, Ministry of Finance, Government of India. The PML Act, the Rules issued thereunder and the guidelines/circulars issued by SEBI thereto, as amended from time to time, are hereinafter collectively referred to as 'AML Laws'. Further, SEBI vide its circular No. ISD/CIR/RR/AML/1/06 dated January 18, 2006 mandated that all intermediaries including Portfolio Managers should formulate and implement a proper policy framework as per the guidelines on anti money laundering measures and also to adopt a "Know Your Customer" (KYC) policy. The intermediaries may, according to their requirements specify additional disclosures to be made by clients for the purpose of identifying, monitoring and reporting incidents of money laundering and suspicious transactions undertaken by clients. SEBI has further issued circular no. ISD/CIR/RR/AML/2/06 dated March 20, 2006 advising all intermediaries to take necessary steps to ensure compliance with the requirement of section 12 of the PML Act requiring *inter alia* maintenance and preservation of records and reporting of information relating to cash and suspicious transactions to Financial Intelligence Unit-India (FIU-IND).

The Client(s), including guardian(s) where Client is a minor, should ensure that the amount invested through the services offered by the Portfolio Manager is through legitimate sources only and does not involve and is not designated for the purpose of any contravention or evasion of the provisions of the Income Tax Act, AML Laws, Prevention of Corruption Act and/or any other applicable law in force and also any laws enacted by the Government of India from time to time or any rules, regulations, notifications or directions issued there under.

To ensure appropriate identification of the Client(s) under its KYC policy and with a view to monitor transactions in order to prevent money laundering, the Portfolio Manager reserves the right to seek information, record investor's telephonic calls and/or obtain and retain documentation for establishing the identity of the investor, proof of residence, source of funds, etc. It may re-verify identity and obtain any incomplete or additional information for this purpose, including through the use of third party databases, personal visits, or any other means as may be required for the Portfolio Manager to satisfy themselves of the investor(s) identity, address and other personal information.

The Client(s) and their attorney(ies), if any, shall produce reliable, independent source documents such as photographs, certified copies of ration card/passport/driving license/PAN card/Aadhaar Card, etc. and/or such other documents or produce such information as may be required from time to time for verification of the personal details of the Client(s) including *inter alia* identity, residential address(es), occupation and financial information by the Portfolio Manager. If the Client(s), their attorney(ies) or the person making payment on behalf of the Client(s), refuses/fails to provide the required documents/information within the period specified by the Portfolio Manager then the Portfolio Manager shall have absolute discretion to freeze the Account of the Client(s), reject any application(s) and effect mandatory repayment/returning of Assets of the Account of the Client(s) subject to the fees payable to the Portfolio Manager, if any. The Portfolio Manager shall also, after application of appropriate due diligence measures, have absolute discretion to report any transactions to FIU-IND that it believes are suspicious in nature within the purview of the AML Laws and/or on account of deficiencies in the documentation provided by the Client(s) and the Portfolio Manager or as may be mandated under AML laws. The Portfolio Manager shall have no obligation to advise investors or distributors of such reporting. The KYC documentation requirements shall also be complied with by the persons becoming the Client by virtue of operation of law e.g. transmission, etc.

The Portfolio Manager, and its directors, employees, agents and service providers shall not be liable in any manner for any claims arising whatsoever on account of freezing the Account/rejection of any application or mandatory repayment/returning of funds/Asset of the Account due to non-compliance with the provisions of the AML Laws and KYC policy and/or where the Portfolio Manager believes that transaction is suspicious in nature within the purview of the AML Laws and/or for reporting the same to FIU-IND.

- **Ultimate Beneficial Owner**

Pursuant to PML Act and Rules framed there under, SEBI Master circular dated December 31, 2010 on Anti Money Laundering (AML) sufficient information to identify persons who beneficially own or control the securities account is required to be obtained. Also, SEBI had vide its circular no. CIR/MIRSD/2/2013 dated January 24, 2013 and other circulars issued from time to time prescribed guidelines regarding identification of Ultimate Beneficial Owner(s) ('UBO').

As per these guidelines UBO means 'Natural Person', or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a legal person or arrangement. Investors are requested to refer to the 'Declaration for UBO' for detailed guidelines on

identification of UBO.

The provisions relating to UBO are not applicable where the client or the owner of the controlling interest is a company listed on a stock exchange or is a majority-owned subsidiary of such a company.

Identification and verification of Beneficial Owners of a Foreign Portfolio Investors shall be done in accordance with SEBI Circular No. CIR/IMD/FPIC/CIR/P/2018/131 dated September 21, 2018.

Clients are requested to promptly inform the Portfolio Manager if the information provided undergoes any change in future.

10.2 Foreign Account Tax Compliance Act

In order to comply with Foreign Account Tax Compliance Act provisions (commonly known as FATCA) as contained in the US Hire Act 2010, the Portfolio Manager is required to collect information about investor's tax residency.

Under the FATCA regime, the Portfolio Manager may be required to collect information/certification from the investors as per the US indicia, report information on the holdings or investment returns of any investor to the US authorities and/or apply withholding tax on payments to investors who fail to provide the information and/or documents required under FATCA. Subject to the appropriate Inter-Governmental Agreement (IGA) between Governments of India and United States of America, the FATCA requirements would apply.

Investors can get more details on FATCA requirements at <http://www.irs.gov/Businesses/Corporations/Foreign-Account-Tax-Compliance-Act-FATCA>

10.3 Acts done in Good Faith

Any act, thing or deed done in good faith in pursuance of or with reference to the information provided in the application or other communications received from the Client will constitute good and full discharge of the obligation of the Portfolio Manager.

In cases of copies of the documents / other details such as list of authorised signatories, that are submitted by a limited company, body corporate, registered society, trust or partnership, if the same are not specifically authenticated to be certified true copies but are attached to the Application Form and/or submitted to the Fund, the onus for authentication of the documents so submitted shall be on such investors and the Portfolio Manager will accept and act on these in good faith wherever the documents are not expressly authenticated. Submission of these documents / details by such investors shall be full and final proof of the corporate Client's authority to invest and the Portfolio Manager shall not be liable under any circumstances for any defects in the documents so submitted.

In cases where there is a change in the name of such Client, such a change will be effected by the Portfolio Manager only upon receiving the duly certified copy of the revised Certificate of

Incorporation issued by the relevant Registrar of Companies / registering authority. In cases where the changed PAN Number reflecting the name change is not submitted, such transactions accompanied by duly certified copy of the revised Certificate of Incorporation with a copy of the Old Pan Card and confirmation of application made for new PAN Card will be required as a documentary proof.

10.4 Client Information

The Portfolio Manager shall presume that the identity of the Client and the information disclosed by him is true and correct. It will also be presumed that the funds invested by the Client through the services of the Portfolio Manager come from legitimate sources / manner and the investor is duly entitled to invest the said funds.

Where the funds invested are for the benefit of a person (beneficiary) other than the person in whose name the investments are made and/or registered, the Portfolio Manager shall assume that the Client holding the funds/Securities in his name is legally authorised/entitled to invest the said funds through the services of the Portfolio Manager, for the benefit of the beneficiaries.

Section 11.0 - Nature of Expenses

These charges may be in the nature of fixed fees (which can be an absolute amount or a percentage of the quantum of funds managed / advised) or in the nature of a variable charge that are linked to portfolio returns achieved or a combination of all or any of these. It may be charged as per the terms of agreement between the Portfolio Manager and the Client from time to time

Section 12.0 - Penalties, pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any regulatory authority against the Portfolio Manager.

- (i) All cases of penalties imposed by SEBI or the directions issued by SEBI under the Act or Rules or Regulations made thereunder:
 - SEBI had in January 2000 referred to adjudication certain allegations relating to non-disclosure of three items in the abridged offer documents of Balanced Fund, Pharma Fund, FMCG Fund and Taxshield and non-filing of the abridged offer document of Balanced Fund of erstwhile Pioneer ITI Mutual Fund (a mutual fund which was acquired by the Portfolio Manager in the financial year 2002-03). The adjudicating officer by his order dated 14th June 2001 levied a penalty of Rs.2 lakhs against the then Asset Management Company (Pioneer ITI AMC Ltd.) and the same was paid.
 - SEBI vide its Adjudication order No. NP/JS/AO/4-6/2016 dated November 29, 2016, levied a total penalty of Rs. 10,00,000/- (Rs. Ten lakhs only) on Franklin Templeton Mutual Fund (FTMF), Franklin Templeton Trustee Services Private Ltd (Trustee) and Franklin Templeton Asset Management (I) Pvt. Ltd. (AMC). In the order, the adjudicating officer concluded that while the Investment Committee constituted by the AMC had discharged its functions, use of the term "Informal Group" to describe the

constitution of Investment Committee (IC) and the inclusion of International CIO based outside India as a member of the IC were in violation of SEBI Circular MFD/CIR/15/19133/2002 dated September 30, 2002 read with Regulation 10(a) of SEBI (Mutual Funds) Regulations 1996 and Regulation 25(18) of SEBI (Mutual Funds) Regulations, 1996.

- (ii) The nature of the penalty/direction - As mentioned above
- (iii) Penalties / fines imposed for any economic offence and/or for violation of any securities laws for the Portfolio Manager.

In March-April 2014, Franklin Templeton Asset Management (India) Pvt. Ltd. (the Company) made a proprietary investment of Rs. 5,00,000 into MF Utilities India Pvt. Ltd (MFU) to acquire 4.54% of MFU's equity shares (the "Investment") under the belief that the investment falls under automatic approval route under the FEMA laws. In 2016, the Foreign Investment Promotion Board (FIPB) observed that the investee company's activities were of such a nature that the Company should have sought prior approval for its Investment. The Company thereafter sought and received post facto approval for the Investment from the FIPB and approached RBI to compound the contravention. As directed by RBI vide its Compounding order No. 703/2017 dated December 6, 2017, the company has paid INR 53,000/- (INR Fifty three thousand only) to compound the matter.

- (iv) Any pending material litigation/legal proceedings against the portfolio manager / key personnel with separate disclosure regarding pending criminal cases, if any:
- A complaint has been filed in the State Consumer Dispute Redressal Commission (SCDRC), Chandigarh alleging deficiency in service in connection with the liquidation of Clients portfolio in Franklin Templeton Opportunities (PMS product) in May 2009. The SCDRC has adjudicated the matter in favour of the complainant. Final hearing has taken place and the matter is reserved for final orders.
 - The Portfolio Manager is involved from time to time in litigation relating to claims arising in the normal course of business. The Portfolio Manager is of the opinion that the ultimate resolution of such claims will not materially affect its business or financial position.
- (v) Any deficiency in the systems and operations of the Portfolio Manager observed by SEBI or any regulatory agency - **NIL**
- (vi) Any enquiry/adjudication proceedings initiated by SEBI against the Portfolio Manager or its directors, principal officer or employee or any Person directly or indirectly connected with the Portfolio Manager or its directors, principal officer or employee, under the Act or Rules or Regulations made thereunder - **NIL**

Section 13.0 – Audit Observations

There were no observations raised by the auditor during the preceding 3 years.

For Franklin Templeton Asset Management (India) Pvt. Ltd.

Sd/-
Sanjay Sapre
Director

Sd/-
S. Jayaram
Director

Date: - May 26, 2020

Annexure 1:

Definitions

“**Act**” - means the Securities and Exchange Board of India Act, 1992 (15 of 1992) as amended from time to time.

“**Agreement**” means and includes the Discretionary Portfolio Managements Services Agreement entered between the Portfolio Manager and the Client for the management/advice of funds or securities of the Client and shall be read in conjunction with the Application Form.

“**Application Form**” means the application form submitted by the Client for making investments through the Portfolio, containing such information as may be required by the Portfolio Manager and the terms and conditions of which shall be read in conjunction with the Agreement.

“**PMLA**” shall mean Prevention of Money Laundering Act, 2002, the Rules issued thereunder and the guidelines/circulars issued by SEBI thereto, as amended from time to time.

“**Chartered Accountant**” means a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;

“**Client**” means any domestic Indian resident individual, Indian Companies, partnership firm, HUF, association of person, body of individuals, trust, statutory authority, or any other person who enters into an Agreement with the Portfolio Manager.

“**Client Portfolio**” means the total holding of all investments, Securities and funds belonging to the Client and held by the Portfolio Manager, for and on behalf of the Client in accordance with the Agreement.

“**Fair Value**” means the last 6-monthly valuation determined by an agency appointed by the Portfolio Manager, which may include a reputable chartered accountant or other consultant.

“**Portfolio Manager**” (PM) means Franklin Templeton Asset Management (India) Pvt. Ltd. (FTAMIL), who has obtained a certificate from SEBI to act as a Portfolio Manager under Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, vide registration no. INP000000464.

“**Principal Officer**” means an employee of the Portfolio Manager who is responsible for:-
(A) the decisions made by the portfolio manager for the management or administration of portfolio of securities or the funds of the client, as the case may be.
(B) the overall supervision of the operations of the portfolio manager.

“Regulations” means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 including any modification or amendment thereof.

“SEBI” means the Securities and Exchange Board of India

“Securities” shall include securities of asset level special purpose vehicles, all securities including equity shares, quasi equity shares, preference shares, debentures, convertible securities, depository receipts, bonds, secured premium notes, government, pass-through certificates, treasury bills, units, derivatives, equity linked products, debt, hybrid products, mortgage-backed securities, commercial papers, notes, other like instruments and any other instrument included within the definition of “security” under Section 2(h) of the Securities Contract (Regulation) Act, 1956.

Annexure 2:

1. Historical background/Present business / Promoters of the Portfolio Manager:

FTAMIL has been appointed the Asset Management Company / Investment Manager of Franklin Templeton Mutual Fund (Mutual Fund) by Franklin Templeton Trustee Services Pvt. Ltd, the Trustee of the Mutual Fund vide Investment Management Agreement (IMA) dated January 5, 1996, executed between the Trustee and FTAMIL, as amended by the Supplemental Investment Management Agreement dated August 26, 2005. FTAMIL was approved by SEBI to act as the Asset Management Company for the Mutual Fund vide their letter no. IIMARP/406/96 dated February 19, 1996.

FTAMIL has also obtained a No-Objection letter from SEBI under Regulation 24(2) of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 for commencing the Portfolio Managers activity, vide letter dated January 16, 2002.

SEBI has accorded it's no objection for providing non-binding investment advisory services to the group/ subsidiaries of the sponsor company for Franklin Templeton group, which are established outside India and invest in securities as FIIs/ FPI or sub-accounts.

FTAMIL has been granted registration under SEBI (Registrar and Transfer Agents) Regulations, 1993 as RTA-Category I on September 2, 2015.

2. Directors of the Portfolio Manager:

Sr. No.	Background of the Directors
1	<p>Mr. Vivek Kudva <i>Indiabulls Finance Centre, Tower 2, 12th Floor, Senapati Bapat Marg, Elphinstone (West), Mumbai 400013</i></p> <p>Mr. Vivek Kudva, aged 60 years is designated as Managing Director, EMEA and India, Franklin Templeton Investments. In this capacity, he is responsible for providing direction and leadership to Franklin Templeton's business in Europe, Middle East, Africa and India. He is based in Mumbai.</p> <p>Prior to joining Franklin Templeton, Mr. Kudva was General Manager - Banking with National Bank of Oman, Muscat. Before this, he was with Hongkong & Shanghai Banking Corporation (HSBC) for over 18 years in India. He has extensive commercial banking experience and was Head - Personal Financial Services, India, in his last assignment with HSBC. He was instrumental in successfully developing and executing the bank's retail growth strategy in India.</p>

Sr. No.	Background of the Directors
2	<p>Mr. Radhakrishnan Venkata Subramaniam <i>Indiabulls Finance Centre, Tower 2, 12th Floor, Senapati Bapat Marg, Elphinstone (West), Mumbai 400013</i></p> <p>Mr. V. S. Radhakrishnan, aged 65 years, holds a Bachelors degree in Commerce. Hi is an MBA from the Indian Institute of Management, Ahmedabad and is also a CAIIB. Mr. Radhakrishnan has worked with HSBC (1979 - 2004) in different functions and different parts of India and Hong Kong and ING Vysya Bank (2004 to 2007), where primary responsibility included handling of large branch network, retail/rural lending and SME lending. Mr. Radhakrishnan joined Janalakshmi Financial Services Ltd, one of the India's largest microfinance institution in 2007 and retired in 2017 as MD & CEO of Janalakshmi Financial Services Ltd.</p> <p>Mr. Radhakrishnan has also worked with Forbes Campbell &Co Ltd and Jay Engineering Works Ltd in the Finance Function.</p>
3	<p>Mr. Pradip Shah <i>Indiabulls Finance Centre, Tower 2, 12th Floor, Senapati Bapat Marg, Elphinstone (West), Mumbai 400013</i></p> <p>Mr. Pradip Shah, aged 67 years is a B.Com graduate, a Chartered Accountant, Cost and Management Accountant and holds post graduate degree in management from Harvard University. He is the Founder and Chairman of IndAsia Fund Advisors Private Limited, a corporate finance, private equity, and investment advisory firm. He is the co-founder of www.Grow-Trees.com, a web-enabled social initiative and Universal Trustees Private Limited. He was the Founder Managing Director of CRISIL-India's first and largest credit rating agency.</p>
4	<p>Mr. Sanjay Sapre <i>Indiabulls Finance Centre, Tower 2, 12th Floor, Senapati Bapat Marg, Elphinstone (West), Mumbai 400013</i></p> <p>Sanjay Sapre, aged 50 years, is the President of Franklin Templeton Asset Management (India) Private Limited. In this capacity, he is responsible for leading Franklin Templeton's retail and institutional business in India.</p> <p>Prior to this, Mr. Sapre held various positions in the group, provided strategic leadership to the Customer Service and Customer Operations functions with an increasing scope of geographical coverage starting from India and expanding to include International Operations and Customer Service for the Asia Pacific Region.</p> <p>Mr. Sapre is a M.B.A. from Ohio University, United States.</p>
5	<p>Mr. S. Jayaram <i>Indiabulls Finance Centre, Tower 2, 12th Floor, Senapati Bapat Marg, Elphinstone (West), Mumbai 400013</i></p> <p>Mr. S. Jayaram, aged 53, is VP International Controller, Franklin Templeton Services (India) Pvt. Ltd. In this capacity, he is responsible for Corporate Accounting operations (accounting, reporting, financial analyses). Prior to joining Franklin Templeton, Mr. Jayaram worked with Pricewaterhouse Coopers Private Limited,</p>

Sr. No.	Background of the Directors
	<p>Mumbai and provided transaction support services.</p> <p>Mr. Jayaram is an Associate Cost and Management Accountant (ACMA) and Associate Company Secretary. He also holds a Bachelor of Commerce degree.</p>
6	<p>Ms. Tabassum Inamdar <i>Indiabulls Finance Centre, Tower 2, 12th Floor, Senapati Bapat Marg, Elphinstone (West), Mumbai 400013</i></p> <p>Ms. Inamdar, aged 53 years, was appointed as an Independent Director of the Company effective December 01, 2019. She is a long-time analyst of the banking and financial sector in India and Asia, and a more recent researcher of the impact sector. Over the past 25 years, her passion for BFSI research has been fed by enriching stints in several companies - Goldman Sachs as Managing Director (co-head, India Research and co-head, Asian financials), as Director (BFSI Research) at UBS Securities and as Sr Equity Analyst (BFSI) at Kotak Securities and earlier at Jardine Fleming. In October 2016, she joined the Board of Equitas Small Finance Bank and in October 2018 Zipsure General Insurance Limited as an independent director. Her association with the BFSI sector has coincided with its most exciting period of growth. The sector's development over the last 20 years compelled her to produce prolific research, with many of her reports devoted to identifying future trends in the sector. Many of these reports have been of lasting interest to investment managers and advisors.</p>

3. Key Personnel of the Portfolio Manager:

Name	Age (years)	Qualifications	Functions & Experience (past 10 years)
<p>Mr. Sanjay Sapre Total Experience: 24 years</p>	50	Qualifications : M.B.A. from Ohio University, United States	<p>President, Franklin Templeton Asset Management (India) Pvt. Ltd. (based at Mumbai) Responsible for leading Franklin Templeton's retail and institutional business in India (since 2016). <i>Prior Assignments:</i> Franklin Templeton Group (July 2001 - July 2016): Held various positions in the group, provided strategic leadership to the Customer Service and Customer Operations functions with an increasing scope of geographical coverage starting from India and expanding to include International Operations and Customer Service for the Asia Pacific Region.</p>
<p>Saurabh Gangrade</p>	40	B.Com, A.C.S.	<p>Compliance Officer (based at Mumbai) He is appointed as the Compliance</p>

Name	Age (years)	Qualifications	Functions & Experience (past 10 years)
Total Experience: 16 years			<p>Officer of the Portfolio Management Services and the Registrar and Transfer Agent activities of Franklin Templeton Asset Management (India) Private Limited. He is also appointed as the Compliance Officer of Franklin Templeton Mutual Fund and is also acting as the Principal Officer under the Prevention of Money Laundering laws.</p> <p><i>Prior assignments:</i></p> <ul style="list-style-type: none"> • Franklin Templeton Asset Management (India) Private Limited (December 2013 onwards): Responsible for compliances under various domestic and overseas securities regulations. • ICICI Prudential Asset Management India Limited (January 2008 to December 2013): Responsible for compliances under various domestic and overseas securities regulations and handling legal matters. Including a stint with ICICI Securities Holdings Inc., New York from August 2011 to January 2012. • Reliance Capital Asset Management Limited and Deutsche Asset Management (India) Private Limited (December 2005 to December 2007): Member of Compliance and Legal team supporting compliances of SEBI regulations.
Murali Yerram Total Experience: 18 years	42	MBA (Finance & Accounting) - The Wharton School, University of Pennsylvania B.Tech. (Electrical &	Fund Manager based at Chennai <ul style="list-style-type: none"> • Currently in PMS Portfolio Management since January 2014. He is responsible for fundamental Equity Research in Technology and Financial sectors. He is with Franklin Templeton since August 2007. <p><i>Prior assignments:</i></p> <ul style="list-style-type: none"> • Worked with Deloitte Consulting

Name	Age (years)	Qualifications	Functions & Experience (past 10 years)
		Electronics)	India Pvt. Ltd., Infosys Technologies and Satyam Computers
Jessey Chitra David Total Experience: 28 years	49	<ul style="list-style-type: none"> • Master of Arts (Economics), University of Madras • Master of Arts (Public Administration), University of Madras 	Investor Services Officer based at Chennai <ul style="list-style-type: none"> • Currently responsible for day to day management of investor relations of the PMS Department. She joined Franklin Templeton in September 1997 and handled various roles in the organization. She was responsible for redressing investor grievances of Franklin Templeton Mutual Fund (since July 2007). She was also a part of Correspondence Unit of Franklin Templeton Mutual Fund in the Customer Services Team (October 2005 till July 2007).

4. Group companies/Fellow subsidiaries/Associate companies in India under same management of the Portfolio Manager:

1. Franklin Templeton Trustee Service Pvt. Ltd.
2. Franklin Templeton International Services (India) Pvt. Ltd.
3. ITI Capital Markets Ltd. (under winding up)
4. Franklin Templeton Alternative Investments (India) Private Limited Franklin Templeton Services (India) Pvt. Ltd.

5. Top 10 Group Companies of FTAMIL on turnover basis as of September 2019 are as follows:

1. Franklin Templeton International Services S.à r.l. (Luxembourg)
2. Franklin Advisers, Inc. (California)
3. Franklin/Templeton Distributors, Inc. (New York)
4. Franklin Templeton Companies, LLC (Delaware)
5. Franklin Templeton Services, LLC (Delaware)
6. Franklin Mutual Advisers, LLC (Delaware)
7. Franklin Templeton Investments Corp (Canada)
8. Templeton Global Advisors Limited (The Bahamas)
9. Templeton Asset Management Ltd. (Singapore)
10. Franklin Templeton Investor Services, LLC (Delaware)

Annexure 3:

Related Party Disclosure (as per last audited financials of September 30, 2019)

(i) Related parties (During the year):

Nature of Relationship	Name of Related Party
Ultimate holding company	Franklin Resources Inc., USA
Holding company	Franklin Templeton Holding Limited, Mauritius
Subsidiary company	ITI Capital Markets Limited, India (under liquidation)
Fellow subsidiary companies	Franklin Templeton International Services (India) Private Limited Franklin Templeton Trustee Services Private Limited, India Franklin Templeton Alternative Investments (India) Private Limited (erstwhile Darby Asia Investors (India) Private Limited) Franklin Templeton Companies, LLC, USA Templeton Asset Management Limited, Singapore Franklin Advisers, Inc., USA Franklin Templeton Services (India) Private Limited
Key management personnel	Sanjay Sapre

- (ii) The following transactions were carried out with the related parties in the ordinary course of business:

(Amount in crores.)

Nature of Transactions	Ultimate holding company	Holding company	Fellow subsidiary companies	Key management personnel	Total
Payment/ Declaration of interim dividend					
<i>Previous year</i>		1,088.97	-	-	1,088.97
Franklin Templeton Holding Limited, Mauritius					
<i>Previous year</i>		1,088.97	-	-	1,088.97
Amount paid for payment of tax on behalf of fellow subsidiary company					
<i>Previous year</i>			0.06	-	0.06
Franklin Templeton International Services (India) Private Limited					
<i>Previous year</i>			0.06	-	0.06
Fixed asset sold/ transferred					
<i>Previous year</i>			0.06	-	0.06
Franklin Templeton Services (India) Private Limited					
<i>Previous year</i>			0.06	-	0.06
Franklin Templeton International Services (India) Private Limited					
<i>Previous year</i>			0.00	-	0.00
Fixed asset purchased/ acquired					
<i>Previous year</i>			0.04	-	0.04
Franklin Templeton International Services (India) Private Limited					
<i>Previous year</i>			0.00	-	0.00
Reimbursement of expenses received					
<i>Previous year</i>			1.14	-	1.14
Franklin Templeton Trustee Services Private Limited					
<i>Previous year</i>			0.03	-	0.03
Franklin Templeton Services (India) Private Limited					
<i>Previous year</i>			0.14	-	0.14
Franklin Templeton International Services (India) Private Limited					
<i>Previous year</i>			0.02	-	0.02
Franklin Templeton International Services (India) Private Limited					
<i>Previous year</i>			0.95	-	0.95
<i>Previous year</i>			0.01	-	0.01

Franklin Templeton Alternative Investments (India) Private Limited (erstwhile Darby Asia Investors (India) Private Limited)			0.05		0.05
<i>Previous year</i>			0.00		0.00
Rental income			0.71		0.71
<i>Previous year</i>			0.68		0.68
Franklin Templeton International Services (India) Private Limited			0.71		0.71
<i>Previous year</i>			0.68		0.68

Nature of Transactions	Ultimate holding company	Holding company	Fellow subsidiary companies	Key management personnel	Total
Business support service fees income			0.02		0.02
<i>Previous year</i>			-		-
Franklin Templeton Trustee Services Private Limited			0.02		0.02
<i>Previous year</i>			-		-
Research Advisory Support Service Fees Income			4.33		4.33
<i>Previous year</i>			6.42		6.42
Templeton Asset Management, Limited, Singapore			4.33		4.33
<i>Previous year</i>			6.42		6.42
Business auxiliary and other support services expenses (including Goods and Services Tax)			38.00		38.00
<i>Previous year</i>			35.39		35.39
Franklin Templeton International Services (India) Private Limited			31.98		31.98
<i>Previous year</i>			28.85		28.85
Franklin Templeton Services (India) Private Limited			5.71		5.71
<i>Previous year</i>			5.77		5.77
Franklin Advisers, Inc., USA			0.31		0.31
<i>Previous year</i>			0.76		0.76
Information Systems and Technology, General and Administrative, Marketing and Investment Operations Expenses Paid			1.71		1.71
<i>Previous year</i>			3.06		3.06
Franklin Templeton Companies, LLC, USA			1.71		1.71
<i>Previous year</i>			3.06		3.06

Employee Share Based Benefits (amounts vested during the year)	11.66	-	-	-	11.66
<i>Previous year</i>	<i>11.11</i>	-	-	-	<i>11.11</i>
Franklin Resources Inc., USA	11.66	-	-	-	11.66
<i>Previous year</i>	<i>11.11</i>	-	-	-	<i>11.11</i>
Remuneration *	-	-	-	3.53	3.53
<i>Previous year</i>	-	-	-	<i>2.87</i>	<i>2.87</i>
Sanjay Sapre	-	-	-	3.53	3.53
<i>Previous Year</i>	-	-	-	<i>2.87</i>	<i>2.87</i>

* Estimated money value of benefits including stock benefits vested during the year, computed where necessary under Income Tax Rules, 1962 and excluding the value of stock benefits granted and unvested.

The above excludes contribution to gratuity fund and provision for leave encashment, which are based on an actuarial valuation and group insurance premium towards medical and life cover.

(iii) Balance outstanding at year end (Amount in crores.)

Nature of Transactions	Ultimate holding company	Fellow subsidiary companies	Total
Balance Payable/ (Receivable)	19.52	2.92	22.44
<i>Previous year</i>	20.58	9.89	30.47
Franklin Resources Inc., USA	19.52	-	19.52
<i>Previous Year</i>	20.58	-	20.58
(This represents vested liability)			
Franklin Templeton Companies, LLC, USA	-	0.81	0.81
<i>Previous year</i>	-	6.74	6.74
Templeton Asset Management, Ltd. (Singapore)	-	(0.23)	(0.23)
<i>Previous year</i>	-	(0.49)	(0.49)
Franklin Templeton International Services (India) Pvt. Ltd.	-	1.94	1.94
<i>Previous year</i>	-	2.93	2.93
Franklin Templeton Alternative Investments (India) Private Limited (erstwhile Darby Asia Investors (India) Private Limited)	-	-	-
<i>Previous year</i>	-	(0.00)	(0.00)
Franklin Advisers, Inc., USA	-	-	-
<i>Previous year</i>	-	0.20	0.20
Franklin Templeton Services (India) Private Ltd	-	0.41	0.41
<i>Previous year</i>	-	0.51	0.51

Annexure 4:**(i) Client Representation:-**

We are providing advisory services to various entities which are established outside India and invest in securities as FPI or sub-accounts. The details regarding the same are stated below:-

Category of clients	No. of clients	Funds managed/advised (Rs. Cr)
Associates/group companies *		
As on March 31, 2020	2	9869.53
As on March 31, 2019	3	18474.88
As on March 31, 2018	4	28903.27
As on March 31, 2017	4	29751.64
Others		
As on March 31, 2020	-	-
As on March 31, 2019	-	-
As on March 31, 2018	-	-
As on March 31, 2017	-	-
Total		
As on March 31, 2020	2	9869.53
As on March 31, 2019	3	18474.88
As on March 31, 2018	4	28903.27
As on March 31, 2017	4	29751.64

**Details includes underlying funds / entities for which services are provided to/by group / associate company of the Portfolio Manager*

(ii) Financial Performance of the Portfolio Manager.

The financials of the Portfolio Manager are available on www.franklintempletonindia.com

FORM - C
SECURITIES AND EXCHANGE BOARD OF INDIA
(PORTFOLIO MANAGERS) REGULATIONS, 2020
(Regulation 22)

We confirm that:

- i) the updated 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 in the Portfolio Management;
- iii) the updated Disclosure Document has been duly certified by an independent chartered accountant (Ms. Vidya Barje, Partner, M.P. Chitale & Co, 1/11, Prabhadevi Ind. Estate, 1st Flr., Opp. Siddhivinayak Temple, Veer Savarkar Marg, Prabhadevi, Mumbai 400025 - Membership No. 104994) on May 14, 2020.

Sd/-
Sanjay Sapre
Principal Officer

Date: May 26, 2020
Place: Mumbai

M. P. Chitale & Co.

Chartered Accountants

1/11, Prabhadevi Ind. Estate, 1st Flr., Opp. Siddhivinayak Temple, Veer Savarkar Marg, Prabhadevi, Mumbai - 25 • Tel.: 43474301-03 • Fax : 43474304

The Board of Directors,

Franklin Templeton Asset Management (India) Private Limited,

Indiabulls Finance Centre, Tower 2,
12th and 13th Floor, Senapati Bapat Marg,
Elphinstone (West), Mumbai – 400013.

We have examined the Disclosure Document dated March 31, 2020 for Portfolio Management prepared in accordance with Regulation 22 of SEBI (Portfolio Managers) Regulations, 2020 by Franklin Templeton Asset Management (India) Private Limited, having its office at Indiabulls Finance Centre Tower 2, 12th and 13th Floor Senapati Bapat Marg, Elphinstone (West), Mumbai – 400013.

Based on our examination of attached Disclosure Document, audited annual accounts of Franklin Templeton Asset Management (India) Private Limited and its other group companies and other relevant records and information furnished by Management, we certify that the disclosures made in the attached Disclosure Document for Portfolio Management are true, fair and adequate to enable the investors to make a well-informed decision.

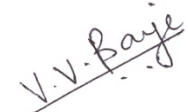
We have relied on the representations given by the management about the penalties or litigations against the Portfolio Manager mentioned in the disclosure document. We are unable to comment on the same.

This certificate has been issued to Franklin Templeton Asset Management (India) Private Limited for submission to the Securities and Exchange Board of India under SEBI (Portfolio Management) Regulations, 2020 and should not be used or referred to for any other purpose without our prior written consent.

For M.P. Chitale & Co.

Chartered Accountants

Firm Reg. No. 101851W



Vidya Barje

Partner

Mem. No. 104994

Mumbai, May 14, 2020

UDIN: 20104994AAAAER3391



**FRANKLIN
TEMPLETON**

Franklin Templeton Asset Management (India) Private Limited
Indiabulls Finance Centre, Tower 2, 12th and 13th Floor, Senapati Bapat Marg,
Elphinstone (West), Mumbai 400013

PORTFOLIO MANAGEMENT SERVICES
SUPPLEMENT TO THE DISCLOSURE DOCUMENT

Inclusion of 'Direct Onboarding of Clients' under Heading "8.0 - Client Representation and Performance":

Pursuant to SEBI Circular no. SEBI/HO/IMD/DF1/CIR/P/2020/26 dated February 13, 2020 on 'Guidelines for Portfolio Managers', clients can on-board directly with FTAMIL, without intermediation of persons engaged in distribution services and no charges except statutory charges shall be levied at the time of on-boarding.

This requirement will be applicable to new clients on-boarded on or after July 1, 2020 to avail Portfolio Management Services of FTAMIL.

This Supplement is dated June 23, 2020.

for **Franklin Templeton Asset Management (India) Pvt. Ltd.**

Sd/-
Sanjay Sapre
Director

Sd/-
S. Jayaram
Director