

## MOLECULE VENTURES LLP

### DISCLOSURE DOCUMENT

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

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#### Declaration:

- a) The Disclosure Document (hereinafter referred as the "**Document**") has been filed with the Securities and Exchange Board of India ("**SEBI**") along with the certificate in the prescribed format in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020 ("**Regulations**").
- b) The purpose of this Document is to provide essential information about the portfolio services in a manner to assist and enable the Investors in making informed decision for engaging "Molecule Ventures LLP" (hereinafter referred as the "**Portfolio Manager**") as the portfolio manager.
- c) The Document contains the 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.
- d) The name, phone number, e-mail address of the Principal Officer as designated by the Portfolio Manager along with the address of the Portfolio Manager are as follows:

<u>PRINCIPAL OFFICER</u>	<u>PORTFOLIO MANAGER</u>
<b>Name :</b> Mr. Nirav Parikh	<b>Molecule Ventures LLP</b>
<b>Phone :</b> +91 7574960783	<b>Registered address:</b> Flat No 802, 8th Floor, Kingston Tower, G D Ambekar Marg, Parel, Tank Road, Mumbai - 400012, Maharashtra, India
<b>E-Mail :</b> info@moleculeventures.in	<b>Correspondence address:</b> 1302, B-Wing, Naman Midtown Building, FP No. 616 Tulsi Pipe Road, Dr. Ambedkar Nagar, Senapati Bapat Marg, Elphinstone (W), Mumbai – 400013, Maharashtra, India
	<b>Principal place of business:</b> Office No. B-904, Tower-B, 'Swastik Universal', Near Valentine Cinema, Dumas Road, Surat – 395007, Gujarat, India

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## Contents:

### Disclaimer

- a) Particulars of this Document have been prepared in accordance with the Regulations as amended till date and filed with SEBI.
- b) This Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the Document.

### Definitions

In this Document, the following words and expressions shall have the meaning specified herein, unless the context otherwise requires:

- (a) **Agreement:** means the portfolio management services agreement entered between the Portfolio Manager and the Client/Investor, as amended, modified, supplemented or restated from time to time together with all annexures, schedules and exhibits, if any.
- (b) **Applicable Laws:** means any applicable statute, law, ordinance, regulation including the Regulations, rule, order, bye-law, administrative interpretation, writ, injunction, directive, judgment or decree or other instrument which has a force of law in India, as is in force from time to time.
- (c) **Capital Contribution:** means the sum of money or securities or combination thereof, contributed by the client simultaneously upon execution of the agreement or any time thereafter, subject to a minimum of INR 50,00,000 (Indian Rupees Fifty Lakhs) or such other higher amount as may be specified by the Portfolio Manager in compliance with applicable laws.
- (d) **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.
- (e) **Client / Investor:** means such person(s) whose money or Portfolio is advised or directed or managed by Portfolio Manager.
- (f) **Custodian:** means one or more custodian appointed by the Portfolio Manager, from time to time, for maintaining custody of funds and/or securities of the client.
- (g) **Disclosure Document or Document:** means this document filed by the Portfolio Manager with SEBI and issued to the client as required under the regulations and as may be amended by the Portfolio Manager from time to time.
- (h) **Distributor:** means a person empaneled by the Portfolio Manager which refers clients to the Portfolio Manager in lieu of commission/charges.
- (i) **Eligible Investor:** means Individuals, Company, Body Corporate, Partnership Firm, Association of Persons, Limited Liability Partnership, Trust, Hindu Undivided Family and such other persons as may be deemed by the Portfolio Manager, to be eligible to avail of the services

of the Portfolio Manager from time to time under the PMS.

- (j) **Investment Approach:** means a broad outlay of the type of securities and permissible instruments to be invested in by the Portfolio Manager for the client, taking into account factors specific to clients and securities and includes any of the current investment approach or such investment approach that may be introduced by the Portfolio Manager, from time to time.
- (k) **Management Fee:** means the management fee payable to the Portfolio Manager in accordance with the terms of the agreement and this document.
- (l) **Performance Fee:** means the performance-linked fee payable to the Portfolio Manager in accordance with the terms of the agreement and this document.
- (m) **Portfolio or Client Portfolio:** means the total holdings of securities and goods belonging to the client in accordance with the agreement.
- (n) **Portfolio Entity:** means companies, enterprises, bodies corporate, or any other entities in the securities of which the monies from the client portfolio are invested subject to applicable laws.
- (o) **Portfolio Investments:** means investments in securities of one or more Portfolio Entity/ies made by the Portfolio Manager on behalf of the client under the PMS from time to time.
- (p) **Portfolio Manager:** means Molecule Ventures LLP, a Limited Liability Partnership incorporated under the provisions of Limited Liability Partnership Act, 2008 and having its registered office at Flat No. 802, 8<sup>th</sup> Floor, Kingston Tower, G D Ambekar Marg, Parel, Tank Road, Mumbai - 400012, Maharashtra, India, which pursuant to a contract or arrangement with a Client/Investor, advises or directs or undertakes on behalf of the Client/Investor (whether as a discretionary Portfolio Manager or otherwise) the management or administration of a portfolio of securities or the funds of the Client/Investor, as the case may be.
- (q) **Principal Officer:** means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager and is responsible for:
  - (i) the decisions made by the Portfolio Manager for the management or administration of Portfolio of securities or the funds of the client, as the case maybe; and
  - (ii) all other operations of the Portfolio Manager.
- (r) **PMS:** means the Portfolio Management Services provided by the Portfolio Manager in accordance with the terms and conditions set out in the agreement, this document and subject to applicable laws.
- (s) **PML Laws:** means the Prevention of Money Laundering Act, 2002, Prevention of Money-laundering (Maintenance of records) Rules, 2005, the guidelines/circulars issued by SEBI thereto as amended and modified from time to time.
- (t) **Regulations:** means the SEBI (Portfolio Managers) Regulations, 2020 as amended and modified from time to time and including any circulars/notifications issued pursuant thereto.
- (u) **Securities:** shall mean and include securities/instruments of Portfolio Entities, all marketable securities including equity shares, quasi equity shares, preference shares, debentures (whether convertible or non-convertible and whether secured or unsecured and whether listed or unlisted), convertible securities, depository receipts, bonds, secured premium notes, government securities, pass-through certificates, treasury bills, units, derivatives, equity linked

products, debt, hybrid debt products, mortgage-backed securities, commercial debt papers, notes, units of a trust and any other instrument falling within the definition of 'security' under section 2(h) of the Securities Contract (Regulation) Act, 1956.

- (v) "SEBI" shall mean the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act, 1992.
- (w) **Term:** means the term of the agreement as reflected in the respective agreement entered with the client by the Portfolio Manager.

Any term used in this document but not defined herein (but defined in the Regulations) shall have the same meaning as assigned to them in the regulations.

### **Description**

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

The Portfolio Manager is a newly incorporated entity (date of incorporation: September 24, 2020) under the provisions of Limited Liability Partnership Act, 2008, having its registered office at Flat No. 802, 8<sup>th</sup> Floor, Kingston Tower, G D Ambekar Marg, Parel, Tank Road, Mumbai - 400012, Maharashtra, India. The Portfolio manager is registered with SEBI bearing registration number-INP000007216.

It seeks to provide Discretionary Portfolio Management Services, and if opportunity arises, then, also render Non-Discretionary Portfolio Management Services and Advisory Services to all categories of permissible investors.

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

As the Portfolio Manager is incorporated in the form of Limited Liability Partnership, there are no promoters in the Portfolio Manager.

### **Partners of the Portfolio Manager and their background:**

#### **a. Mr. Nirav Parikh**

While working with India SME Investments LLP (during January 2019 to November 2020), Mr. Parikh was deeply involved in ideation and proprietary research. His sophisticated sectoral knowledge and rich investing experience in small and mid-size companies has proven to be instrumental to the fund in ideation and proprietary research.

Prior to that, he worked with Ghalla Bhansali Stock Brokers Pvt. Ltd. (June 2013 to January 2019). He was a part of the Portfolio Management Division of Ghalla Bhansali Stock Brokers Pvt. Ltd., where he was instrumental in taking buy and sell decisions for the client portfolios. He was also instrumental in increasing the Asset Under Management of the company from INR 40 crores to INR 130 crores. While working at the Company, his focus was on the small and mid-cap end of the market with a bottom-up stock picking and thematic approach.

At Alchemy Capital Management Private Ltd. (during September 2009 to March 2011), he

was a part of the Portfolio Management Division, where he was involved in conducting research and assisting/advising Fund Managers in taking investment decisions pertaining to buying and selling securities. He assisted in carrying out research for the entire Infrastructure Sector, Real Estate Sector, Road Construction Companies, Cement Companies and Capital Goods Companies.

Mr. Parikh was a part of the research team for the Infrastructure Sector at Reliance Equities International Pvt. Ltd. (during May 2008 to September 2009). He used to carry out in-depth research on leading Real Estate Sector Companies including DLF, Capital Goods Companies and Cement Companies.

He was a part of the research team and used to conduct research on various Cement and Real Estate Companies at Alchemy Shares and Stock Brokers (during June 2006 to May 2008).

At Anand Rathi Securities (during June 2005 to May 2006), he was a part of the research team where he assisted in maintaining information and creating databases of various Cement Companies including JK Cement.

**b. Mr. Badarinath Ibrampur**

Mr. Ibrampur is working with Micro Labs Limited for more than 25 years and manages the finance functions of the company from both a strategic and tactical perspective.

**c. Mr. Mitin Jain**

Mr. Jain is working with India SME Investments LLP, where he is the Investment Manager of India SME Investments - Fund I, which is a scheme of India SME Investments Trust bearing registration number IN/AIF2/18-19/0664. He overlooks the entire functioning of the investment manager to manage the India SME Investments - Fund I.

Prior to that, during 2008-2018, Mr. Jain was Director & Founding Team Member of BanyanTree Finance Private Limited, where his work involved fund raising, deal origination, execution and portfolio management.

During 2007-2008, he was working with Lehman Brothers Advisors India Private Limited as an Analyst, where he was responsible for preparation of pitch books, business valuation, financial modelling, and participating in the investment due-diligence process.

He was working with Atherstone Capital (Asia) Limited as an Analyst during 2005-2007, where he was involved in work related to due diligence of client's business, business valuation, financial modelling, preparation of investment memorandum, project report, valuation report, industry study and pitching the investment opportunities to various investors.

**Key personnel of Portfolio Manager and their background:**

**(a) Mr. Nirav Parikh**

*<Kindly refer to the profile above>*

**(b) Ms. Saloni Hemnani**

During (September 2018 to November 2020) her tenure with India SME Investments LLP as an Analyst, her work profile was to support research and evaluation activities.

Prior to that, she worked with Maverick Institute Private Limited (during September 2017 to August 2018) as an Analyst. Her area of work was forensic accounting and company analysis content.

**(iii) Top 10 Group companies/firms of the Portfolio Manager on turnover basis (latest audited financial statements may be used for this purpose)**

1. India SME Investments LLP
2. Micro Labs Limited

**(iv) Details of the services being offered: Discretionary, Non-Discretionary and Advisory**

The Portfolio Manager proposes primarily carry-on Discretionary Portfolio Management Services and if opportunity arises thereafter, then it also proposes to render Non-Discretionary Portfolio Management Services and Advisory Services.

The key features of the services are provided as follows:

**(a) Discretionary Services:**

Under the Discretionary PMS, the choice as well as the timings of the investment decisions rest solely with the Portfolio Manager and the Portfolio Manager can exercise any degree of discretion in the investments or management of assets of the client. The securities invested/divested by the Portfolio Manager for clients may differ from client to client. The Portfolio Manager's decision (taken in good faith) in deployment of the client's account is absolute and final and cannot be called in question or be open to review at any time during the currency of the Agreement or any time except on the ground of fraud, malafide intent, conflict of interest (other than those already disclosed in the agreement) or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the applicable laws. Periodical statements in respect of the client's assets under management shall be sent to the respective clients in accordance with the agreement and the regulations.

**(b) Non - Discretionary Services:**

Under the non-discretionary PMS, the assets of the client are managed in consultation with the client. Under this service, the assets are managed as per the requirements of the Client after due consultation with the client. The client has complete discretion to decide on the investment (quantity and price or amount). The Portfolio Manager, *inter alia*, manages transaction execution, accounting, recording or corporate benefits, valuation and reporting aspects on behalf of the client.

**(c) Advisory services:**

The Portfolio Manager may provide investment Advisory services, in terms of the

regulations, which shall include the responsibility of advising on the portfolio investments and investment/ divestment of individual securities on the client portfolio, for an agreed fee structure and for a defined period, entirely at the client's risk. The Portfolio Manager shall be solely acting as an advisor to the client's portfolio and shall not be responsible for the investment/divestment of securities and/or any administrative activities on the client's portfolio. The Portfolio Manager shall provide Advisory services in accordance with such guidelines and/or directives issued by the regulatory authorities and/or the client, from time to time, in this regard.

**Penalties, pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any Regulatory Authority:**

- i. All cases of penalties imposed by SEBI or the directions issued by SEBI under the SEBI act or rules or regulations made thereunder. - None.
- ii. The nature of the penalty/direction. - N/A.
- iii. Penalties/fines imposed for any economic offence and/or for violation of any securities laws. - None.
- iv. Any pending material litigation/legal proceedings against the Portfolio Manager/Key Personnel with separate disclosure regarding pending criminal cases, if any. None.
- v. Any deficiency in the systems and operations of the Portfolio Manager observed by the SEBI or any regulatory agency. - None.
- vi. Any enquiry/ adjudication proceedings initiated by SEBI against the Portfolio Manager or its partners, Principal Officer or Employee or any person directly or indirectly connected with the Portfolio Manager or its partners, Principal Officer or Employee, under the SEBI act or rules or regulations made thereunder. - None.

**Services offered**

- (i) **The present investment objectives and policies, including the types of securities in which it generally invests, shall be clearly and concisely stated in the document for easy understanding of the potential investor.**

The investment objective of the Portfolio Manager is to endeavor to deliver superior risk adjusted returns for the Client.

While the core investment strategy is to invest in listed equities, the Portfolio Manager may, from time to time, also invest in listed debt securities, fixed income products/instruments, mutual fund units, exchange traded fund/s, structured product/s and any other permissible securities/instruments/products in which the Portfolio Manager can invest as per applicable laws. The Portfolio Manager would seek to generate capital appreciation as well as returns on client's capital by such investments.

- (ii) **Investment Approach of the Portfolio Manager:** Please refer to **Annexure I** for more details.
- (iii) **The policies for investments in associates/group companies of the Portfolio Manager and the maximum percentage of such investments are therefore subject to the applicable laws/regulations/guidelines:** The Portfolio Manager will not be making investments on behalf of the client in its associates/group companies.
- (iv) **Distributors:** The Portfolio Manager may (i) appoint channel Partners/Distributors to onboard the clients; or (ii) onboard the clients directly without intermediation of any channel Partners/Distributors.

### Risk factors

#### General Risk:

- Securities investments are subject to market risk and there is no assurance / guarantee that the objectives of the PMS will be achieved.
- The Portfolio Manager has no previous experience/track record in the field of Portfolio Management Services and has obtained a license to function as a Portfolio Manager only on May 31<sup>st</sup>, 2021. However, the Principal Officer, Partners and other Key Management Personnel of the Portfolio Manager have rich Individual experience.
- Without prejudice to the above, the past performance of the Portfolio Manager does not indicate its future performance.
- Any act, omission or commission of the Portfolio Manager under the agreement would solely be at the risk of the client and the Portfolio Manager will not be liable for any act, omission or commission or failure to act safe and except in cases of gross negligence, willful default and/or fraud of the Portfolio Manager.
- The client portfolio may be affected by settlement periods and transfer procedures.
- The PMS is subject to risk arising out of non-diversification as the Portfolio Manager under its PMS may invest in a particular sector, industry, few/single Portfolio Entity/ies. The performance of the client portfolio would depend on the performance of such companies/industries/sectors of the economy.
- If there are any transactions of purchase and/or sale of Securities by Portfolio Manager and Employees who are directly involved in investment operations that conflict with transactions in any of the Client Portfolio, the same shall be disclosed to the Client.
- The group companies of Portfolio Manager may offer services in the nature of consultancy, sponsorship etc., which may be in conflict with the activities of Portfolio Management Services.
- The provisions of the Agreement and the principal and returns on the Securities subscribed by

the Portfolio Manager may be subject to force majeure and external risks such as war, natural calamities, pandemics, policy changes of local/international markets and such events which are beyond the reasonable control of the Portfolio Manager. Any policy change / technology updates / obsolescence of technology would affect the investments made by the Portfolio Manager.

Other risks arising from the Investment Objectives, Investment Strategy, Investment Approach and Asset Allocation are stated as below:

#### **Risks associated with investments in equity and equity linked securities**

- Equity and equity related securities by nature are volatile and prone to price fluctuations on a daily basis due to both macro and micro factors.
- In domestic markets, there may be risks associated with trading volumes, settlement periods and transfer procedures that may restrict liquidity of investments in equity and equity related securities.
- In the event of inordinately low volumes, there may be delays with respect to unwinding the Portfolio and transferring the redemption proceeds.
- The value of the Client Portfolio, may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the government, taxation laws or policies of any appropriate authority and other political and economic developments and closure of stock exchanges which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets. Consequently, the Portfolio valuation may fluctuate and can go up or down.
- The client may note that Portfolio Manager's investment decisions may not always be profitable, as actual market movements may be at variance with the anticipated trends.

#### **Risk Factors associated with investments in derivatives**

- Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the Investor. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of such strategies to be persuaded by the Portfolio Manager involve uncertainty and the decision of the Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager shall be able to identify or execute such strategies.
- The risks associated with the use of derivatives are different from or possibly greater than the risk associated with investing directly in securities and other traditional investments.
- As and when the Portfolio Manager on behalf of Clients would trade in the derivatives market there are risk factors and issues concerning the use of derivatives that Investors should understand. Derivative products are specialized instruments that require investment

techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the Portfolio and the ability to forecast price or interest rate movements correctly. There is a possibility that loss may be sustained by the Portfolio as a result of the failure of another party (usually referred as the "counter party") to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value.

- The options buyer's risk is limited to the premium paid, while the risk of an options writer is unlimited. However, the gains of an options writer are limited to the premiums earned.
- The writer of a put option bears the risk of loss if the value of the underlying asset declines below the exercise price. The writer of a call option bears a risk of loss if the value of the underlying asset increases above the exercise price.
- Investments in index futures face the same risk as the investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks.

#### **Risks associated with investments in fixed income securities/products**

Some of the common risks associated with investments in fixed income and money market securities are mentioned below. These risks include but are not restricted to:

- **Interest Rate Risk:** As with all debt securities, changes in interest rates affects the valuation of the Portfolios, as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise. Prices of longer-term securities generally fluctuate more in response to interest rate changes than do shorter-term securities. Interest rate movements in the Indian debt markets can be volatile leading to the possibility of large price movements up or down in debt and money market securities and thereby to possibly large movements in the valuation of Portfolios.
- **Liquidity or Marketability Risk:** This refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market.
- **Credit Risk:** Credit risk or default risk refers to the risk which may arise due to default on the part of the issuer of the fixed income security (i.e. risk that the issuer will be unable to make timely principal and interest payments on the security). Due to this risk, debentures are sold at a yield spread above those offered on treasury securities, which are sovereign obligations and generally considered to be free of credit risk. Normally, the value of a fixed income security will fluctuate depending upon the actual changes in the perceived level of credit risk as well as the actual event of default.

- **Reinvestment Risk:** Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.
- **Rating Risk:** Different types of debt securities in which the Client invests, may carry different levels and types of risk. Accordingly, the risk may increase or decrease depending upon its investment pattern, for instance corporate bonds carry a higher amount of risk than government securities. Further even among corporate bonds, bonds, which are AA rated, are comparatively riskier than bonds, which are AAA rated.
- **Price Volatility Risk:** Debt securities may also be subject to price volatility due to factors such as changes in interest rates, general level of market liquidity and market perception of the creditworthiness of the issuer, among others (market risk). The market for these securities may be less liquid than that for other higher rated or more widely followed securities.

Investment and Liquidity Risks: There may be no active secondary market for investments of the kind the Portfolio Manager may make for the Client Portfolio. Such investments may be of a medium-to-long term nature. There are a variety of methods by which unlisted investments may be realized, such as the sale of investments on or after listing, or the sale or assignment of investments to joint-venture partners or to third parties subject to relevant approvals. However, there can be no guarantee that such realizations shall be achieved, and the Portfolio's investments may remain illiquid.

Since the Portfolio may only make a limited number of investments, poor performance by one or a few of the investments could severely adversely affect the total returns of the PMS.

Identification of Appropriate Investments: The success of the PMS 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 Manager may invest, and other factors outside the control of the Portfolio Manager. Therefore, there can be no assurance that appropriate investments will be available to, or identified or selected by, the Portfolio Manager.

### **Management and Operational risks**

#### **Reliance on the Portfolio Manager**

- The success of the PMS will depend to a large extent upon the ability of the Portfolio Manager to source, select, complete and realize appropriate investments and also reviewing the appropriate investment proposals. The Portfolio Manager shall have considerable latitude in its choice of Portfolio Entities and the structuring of investments. Furthermore, the team members of the Portfolio Manager may change from time to time. The Portfolio Manager relies on one or more key personnel and any change/removal of such key personnel may have material adverse effect on the returns of the Client.
- The investment decisions made by the Portfolio Manager may not always be profitable.

- Investments made by the Portfolio Manager are subject to risks arising from the investment objectives, Investment Approach, investment strategy and asset allocation.

Non-diversification risks: This risk arises when the Portfolio is not sufficiently diversified by investing in a wide variety of instruments.

No Guarantee: 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. Further, the value of the Portfolio may increase or decrease depending upon various market forces and factors affecting the capital markets such as delisting of Securities, market closure, relatively small number of scrips accounting for large proportion of trading volume. Consequently, the Portfolio Manager provides no assurance of any guaranteed returns on the Portfolio.

Ongoing risk profiling risk: The Client would be subject to ongoing risk profiling in accordance with the Regulation. If in case during such ongoing risk profiling, it is found that the Client is not suitable for the investments in Securities or doesn't have risk appetite, the Portfolio Manager may terminate the Agreement with the Client.

#### **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 Portfolio Entity'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 Portfolio Entity/ies.

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.

#### **Legal and Tax risks:**

Tax risks: Clients/ Investors are subject to a number of risks related to tax matters. In particular, the

tax laws relevant to the Client Portfolio are subject to change, and tax liabilities could be incurred by the Clients/ Investors as a result of such change. 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 Portfolio Entities. The tax consequences of an investment in the Portfolio Entities are complex, and the full tax impact of an investment in the Portfolio Entities will depend on circumstances particular to each Client/ Investor. Furthermore, the tax laws in relation to the Client Portfolio are subject to change, and tax liabilities could be incurred by Client as a result of such changes. Alternative tax positions adopted by the income tax authorities could also give rise to incremental tax liabilities in addition to the tax amounts already paid by the Client/Investors. 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 Client Portfolio's profitability.

*Bankruptcy of Portfolio Entity:* Various laws enacted for the protection of creditors may operate to the detriment of the PMS if it is a creditor of a Portfolio Entity that experience financial difficulty. For example, if a Portfolio Entity becomes insolvent or files for bankruptcy protection, there is a risk that a court may subordinate the Portfolio Investment to other creditors. If the PMS/Client holds equity securities in any Portfolio Entity that becomes insolvent or bankrupt, the risk of subordination of the PMS's/Client's claim increases.

*Change in Regulation:* Any change in the Regulation and/or other Applicable Laws or any new direction of SEBI may adversely impact the operation of the PMS.

### **Risk pertaining to Investments**

#### *Investment in Securities/Instruments*

- The Client Portfolio may comprise of investment in unlisted securities, fixed income securities, debt securities/products and in case of such Securities, the Portfolio Manager's ability to protect the investment or seek returns or liquidity may be limited. To clarify, the Portfolio Manager shall only make investments in Securities permissible under the Regulations and Applicable Law, however, there may be an eventuality where the Securities in which the Portfolio Manager makes investment become unlisted as a result of a corporate action or any other reason.
- In case of in-specie distribution of the Securities by the Portfolio Manager upon termination or liquidation of the Client Portfolio, the same could consist of such Securities for which there may not be a readily available public market. Further, in such cases the Portfolio Manager may not be able to transfer any of the interests, rights or obligations with respect to such Securities except as may be specifically provided in the agreement with Portfolio Entities. If an in-specie distribution is received by the Client from the Portfolio Manager, the Client may have restrictions on disposal of assets so distributed and consequently may not be able to realize full value of these assets.
- Some of the Portfolio Entities in which the Portfolio Manager will invest may get their Securities listed with the stock exchange after the investment by the Portfolio Manager. In connection with such listing, the Portfolio Manager may be required to agree not to dispose of its Securities in the Portfolio Entity for such period as may be prescribed under the Applicable Law, or there may be certain investments made by the Portfolio Manager which are subject to a statutory period of non-disposal or there may not be enough market liquidity in the security to effect a sale and hence Portfolio Manager may not be able to dispose of such investments prior to completion of

such prescribed regulatory tenures and hence may result in illiquidity.

- The Client Portfolio may be invested in listed securities and as such may be subject to the market risk associated with the vagaries of the capital market.

The Portfolio Manager may also invest in portfolio entity/ies which are investment vehicles like mutual funds/trusts. Such investments may present greater opportunities for growth but also carry a greater risk than is usually associated with investments in listed securities or in the securities of established companies, which often have a historical record of performance. Provided investments in mutual funds shall be through direct plans only.

**Client Representation:**

- (i) The Portfolio Manager has five categories of clients – Resident Individuals, Non-Resident Individuals, HUFs, Corporates and Trusts. The following are the details for the last three financial years.

Category of Clients	No. of Clients	Funds managed (Rs. in Cr.)	Discretionary / Non- Discretionary
Associates/ group of companies (Last 3 years)	NIL	NIL	NIL
Others (Last 3 years)			
As on March 31, 2024	246	436.64	Discretionary
As on March 31, 2023	116	195.85	Discretionary
As on March 31, 2022	50	111.62	Discretionary

- (ii) Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India- **Not applicable.**

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

Particulars	(Rs. in lacs)		
	FY 2023-24	FY 2022-23	FY 2021-22
Total Income	3,283.87	971.31	168.94
Net Profit After Tax	1,750.47	459.98	102.40
Net Worth	2,330.77	1,111.90	601.92

**Performance of the Portfolio Manager**

**1) GROWTH APPROACH**

Particulars	FY 2023-24	FY 2022-23	FY 2021-22
Molecule - Growth	64.73 %	28.83 %	9.20 %
Benchmark- S&P BSE 500	40.16 %	- 0.91%	10.82 %

## 2) QUANT APPROACH

Particulars	FY 2023-24 (since 23/11/2023)	FY 2022-23	FY 2021-22
Molecule - Quant	- 3.94%	Not Applicable	Not Applicable
Benchmark- S&P BSE 500	15.17 %	Not Applicable	Not Applicable

### Audit Observations for preceeding three years

Molecule Ventures LLP was incorporated on September 24, 2020. In the audit conducted by Molecule Ventures LLP's statutory auditor for the financial year ended March 2022, March 2023 and March 2024, the auditor had no audit observations.

### Nature of expenses

The following are the general costs and expenses to be borne by the Clients availing the services of the Portfolio Manager. However, the exact nature of expenses relating to each of the following services is annexed to the Agreement in respect of each of the services provided.

*i. Management fee:*

The Management Fee relates to the portfolio management services offered to the Clients. The fee may be a fixed charge or a percentage of the quantum of the funds being managed as agreed in the Agreement.

*ii. Advisory fees:*

The advisory fees relates to the advisory services offered by the Portfolio Manager to the Client. The fee may be a fixed charge or a percentage of the quantum of the funds being advised as agreed in the Agreement.

*iii. Performance fee:*

The Performance Fee relates to the performance-based fee charged by the Portfolio Manager, subject to hurdle rate and high watermark principle as per the details provided in the Agreement.

*iv. Other fees and expenses:*

The Portfolio Manager may incur the following expenses which shall be charged/reimbursed by the Client:

- (a) Transaction expenses including, but not limited to, statutory fees, documentation charges, statutory levies, stamp duty, registration charges, commissions, charges for transactions in Securities, custodial fees, fees for fund accounting, valuation charges, audit and verification fees, depository charges, and other similar or associated fees, charges and levies, legal fees, incidental expenses etc.;
- (b) Brokerage shall be charged at actuals;
- (c) Legal and statutory expenses including litigation expenses, if any, in relation to the Portfolio;

- (d) Statutory taxes and levies, if any, payable in connection with the Portfolio;
- (e) Valuation expenses, valuer fees, audit fees, levies and charges;
- (f) All other costs, expenses, charges, levies, duties, administrative, statutory, revenue levies and other incidental costs, fees, expenses not specifically covered above, arising out of or in the course of managing or operating the Portfolio.

The Portfolio Manager shall not charge any upfront fees to the Client whether directly or indirectly. Notwithstanding the above, the Portfolio Manager may charge upfront costs and expenses so attributable to the Client in terms of the Agreement.

### **Taxation**

The general information stated below is based on the general understanding of direct tax laws in force in India as of the date of the Disclosure Document and is provided only for general information to the Investor only vis-à-vis the investments made through the portfolio management services of the Portfolio Manager. This information gives the direct tax implications on the footing that the Securities are/will be held for the purpose of investments. In case the Securities are held as stock-in-trade, the tax treatment will substantially vary and the issue whether the investments are held as capital assets or stock-in-trade needs to be examined on a case to case basis. There is no guarantee that the tax position prevailing as on the date of the Disclosure Document/the date of making investment shall endure indefinitely.

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

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

The following summary is based on the law and practice of the Income-tax Act, 1961 (the "IT Act"), the Income-tax Rules, 1962 (the "IT Rules") and various circulars and notifications issued thereunder from time to time. The IT Act is amended every year by the Finance Act of the relevant year, and this summary reflects the amendments enacted in the Finance Act, 2020.

The Tax Rates for different entities for the Financial Year 24-25 (Assessment Year 2025-26) are as follows:

**Company:**

Foreign Company: Taxed at 40%

Domestic Company: Taxed at 30%. Different rates are, however, applicable in the following cases:

- A domestic company (where its total turnover or gross receipt in the previous year 2022-23 does not exceeds Rs. 4000 Million) will be taxable at the rate of 25% for the Assessment Year 2025-26.
- A domestic company can opt for the alternative tax regime provided under section 115BA or Section 115BAA.

Surcharge on Income Tax:

Net Income Range	Foreign Company	Domestic Company
If taxable income does not exceed Rs. 10 Million	Nil	Nil
If taxable income is in the range of Rs.10 Million to Rs.100 Million	2% of Income Tax	7% of Income Tax
If taxable income exceed Rs. 100 Million	5% of Income Tax	12% of Income Tax

Health and Education Cess (HEC): it is 4% of Income Tax and

**FIRMS:**

A firm is taxable at the rate of 30% for Assessment Year 2025-26.

Surcharge: Surcharge is 12% of Income Tax if net income exceeds Rs.10 Million.

Health and Education Cess (HEC): it is 4% of Income Tax and

**Individual, Hindu undivided families (HUF), AOPs, BOIs** – The tax rates applicable to individuals are also applicable to a HUF, AOP, BOI or an artificial juridical person. The rates are as below:

Net Income Range	Income Tax Rates	Surcharge	Health and Education Cess (HEC)
Upto Rs.0.25 Million	Nil	Nil	Nil
Rs.0.25 Million -Rs.0.50 Million	5% of (Total Income minus Rs.2,50,000)	Nil	4% of Income Tax
Rs.0.50 Million to Rs. 1.00 Million	Rs.12500 + 20% of (total income minus Rs.5,00,000)	Nil	4% of Income Tax
Rs.1.00 Million to Rs. 5 Million	Rs.112500 + 30% of (total income minus Rs.10,00,000)	Nil	4% of Income Tax

Rs.5.00 Million to Rs.10 Million	Rs.13,12,500 + 30% of (total income minus Rs.50,00,000)	10% of Total Income Tax	4% of Income Tax and Surcharge
Rs.10.00 Million to Rs. 20.00 Million	Rs.28,12,500 + 30% of (total income minus Rs.1,00,00,000)	15% of Total Income Tax	4% of Income Tax and Surcharge
Rs.20 Million to Rs.50.00 Million	Rs.58,12,500 + 30% of (total income minus Rs.2,00,00,000)	25% of Total Income Tax	4% of Income Tax and Surcharge
Above Rs.50 Million	Rs.1,48,12,500 + 30% of (total income minus Rs.5,00,00,000)	37% of Total Income Tax	4% of Income Tax and Surcharge

**Senior Citizen:** Senior Citizen is a resident individual who is at least 60 years of age at the any time during the previous year but less than 80 years, the exemption limit is Rs.3,00,000.

**Super Senior Citizen:** Super Senior Citizen is a resident individual who is at least 80 years of age at the any time during the previous year, the exemption limit is Rs.5,00,000.

The Finance Bill, 2020 inserted a new section 115BAC in the IT Act. As per the said section, the Individual and HUF will have an option to pay tax on its total income at the reduced tax rates. The income would, however, must be computed without claiming prescribed deductions or exemptions.

However, where the total income includes any income chargeable under section 111A and section 112 of the IT Act, the rate of surcharge on the amount of income tax computed on that part of income shall not exceed 15%.

### **Taxation in hands of Investors**

#### **Taxation of Resident investors**

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

##### **Dividend Income:**

Before April 1, 2020, Indian companies were required to pay dividend distribution tax ("DDT") at an effective rate of 20.56 percent on dividends declared and distributed by them. Consequently, the dividend was exempt in the hands of the shareholder—residents as well as non-residents. From a compliance perspective, the government was able to collect dividend tax from one source i.e. companies and even for companies it was not a compliance burden at all.

However, Indian Finance Act 2020 has abolished DDT and, with effect from April 1, 2020, dividends declared by Indian companies would be taxable in the hands of shareholders. For resident shareholders, dividends would be taxed in their hands based on tax rates they are governed with. Companies will have to deduct or withhold tax at 10 percent for dividends paid to these resident shareholders.

Further, the taxpayer can claim a deduction of interest expenditure under section 57 of the IT Act if such income is offered to tax under the head 'income from Other sources' against such dividend income upto 20% of the dividend income.

Section 80M was introduced by the Finance Bill, 2020. As per Section 80M, in case any Indian company receives dividend from another Indian company and the dividend is distributed by the first mentioned Indian company before the specific due date (i.e. one month prior to the date of filing tax return under section 139 of the IT Act), then deduction can be claimed by such Indian company of so much of dividend received from such another Indian company.

Accordingly, as per the amended provisions, the dividend income (net of deductions, if any) will be taxable at the rates mentioned above.

### **Interest Income**

Under the IT Act, interest income should be taxable in the hand of resident investor as rates prescribed above.

### **Capital Gains**

Capital Gain refer to any gain or profit earned by Investor from the sale of capital assets such as shares and securities of the Indian portfolio companies. The profit arises from the sale of the capital asset is taxed under the head of 'Income from Capital Gain'. The profit is earned by selling the capital assets at a higher price than what it was bought for.

Types of Capital Gain Tax: The tax that is charged on the gains earned from the selling of capital assets is known as capital gains tax. The capital assets are generally categorized into two categories i.e. short-term capital asset and long- term capital asset.

### **Period of holding**

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

<b>Nature of asset</b>	<b>STCA</b>	<b>LTCA</b>
For assets being shares in a company or any other security listed on a recognised stock exchange in India (i.e. equity shares, preference shares or debentures), or a unit of the Unit Trust of India or a unit of an equity oriented mutual fund or zero coupon bonds	Held for not more than 12 months	Held for more than 12 months

For assets being shares of a company (other than shares listed on a recognised stock exchange in India)	Held for not more than 24 months	Held for more than 24 months
For assets other than those specified above	Held for not more than 36 months	Held for more than 36 months

**How to Determine Period of Holding:** In determining the period for which any capital asset is held by the Investor:

Different Situation	How to calculate the period of holding
Shares held in a company in liquidation	The period subsequent to the date in which the company goes into liquidation shall be excluded.
Allotment of shares in amalgamated Indian company in lieu of shares held in amalgamating company	The period of holding shall be counted from the date of acquisition of shares in the amalgamating company.
Right Shares	The period of holding shall be counted from the date of allotment of right issue.
Right Entitlement	The period of holding will be considered from the date of offer to subscribe to shares to the date when such right entitlement is renounced by the person.
Bonus Shares	The period of holding shall be counted from the date of allotment of bonus shares.
Issue of Shares by the resulting company in a scheme of Demerger to the shareholders of the Demerged Company.	The period of holding shall be counted from the date of acquisition of shares in the Demerged company.
Conversion of Bonds or Debentures, Debenture-stock, or Deposit certificates in any form of a company into shares or debenture of that company.	The period of holding shall be considered from the date of acquisition of Bond, Debenture, Debenture-Stock or Deposit Certificate.
Conversion of Preference Shares into Equity Shares	The period of holding shall be considered from the date of acquisition of preference shares.

**Transfer in Shares and Securities not given above:**

Different Situation	How to calculate the period of holding
-Date of purchase (through stock exchange) of shares and securities	Date of purchase by Broker on behalf of customer.
-Date of transfer (through stock exchange) of shares and securities	Date of Broker's Note provided such transactions are followed up by delivery of shares and the transfer deed.

-Date of purchase / transfer of shares and securities (Transactions taken place directly between parties and not through stock exchange)	Date of contract of sale as declared by the parties provided it is followed up by the actual delivery of shares and the transfer deed.
-Date of purchase/sale of share and securities purchased in several lots at different points of time but delivery taken of in one lot and subsequently sold in parts.	The First-in-first-out (FIFO) method shall be adopted to reckon the period of the holding of the security, in case where the dates of purchase and sale cannot be correlated through specific numbers of scripts. In other words, the assets acquired last will be taken to be remaining with the Investor while assets acquired first will be treated as sold.
-Transfer of a security by a depository (i.e. Demat Account)	The period of holding shall be determined on the basis of the first-in-first-out method.

Tax rate of long-term capital gain and short term: Depending on the classification of capital gains, the resident investors would be chargeable to tax as per the IT Act as under:

<b>Nature of Income</b>	<b>Tax Rate* for Domestic Companies</b>	<b>Tax*Rate for Firms, LLP</b>	<b>Tax*Rate for Individual/ HUF/AOP/BIO</b>
LTCG in Transfer of (i)Equity Shares Listed in recognized Stock Exchange (ii) To be listed Equity Shares sold through offer for sale, (iii)Units of Equity Oriented Mutual Fund and on which STT has been paid.	10% (without Indexation)	10% (without Indexation)	10% (without Indexation)
LTCG on Transfer of Listed Securities (Other than units of mutual Fund, listed Bonds and listed Debentures) and on which STT has not been paid.	10% (without Indexation) OR 20% (With Indexation) Whichever is Lower	10% (without Indexation) OR 20% (With Indexation) Whichever is Lower 10% (without Indexation)	10% (without Indexation) OR 20% (With Indexation) Whichever is Lower 10% (without Indexation)
LTCG on transfer of listed Bonds and Listed Debentures	10% (without Indexation)	10% (without Indexation)	10% (without Indexation)
LTCG on transfer of units of mutual fund (listed or Unlisted) other than Equity Oriented Fund	20% (with Indexation)	20% (with Indexation)	20% (with Indexation)

LTCG on transfer of Unlisted Securities (other than unlisted Bonds and unlisted Debentures)	20% (with Indexation)	20% (with Indexation)	20% (with Indexation)
LTCG on transfer of unlisted Bonds and unlisted Debentures	20% (without Indexation)	20% (without Indexation)	20% (without Indexation)
STCG on transfer of (i) listed Equity shares on a recognized stock exchange (ii) to be listed shares sold through offer for sale or (iii) units of equity oriented mutual fund and on which STT has been paid	15%	15%	15%
Other STCG	As per IT Slabs applicable	As per IT Slabs applicable	As per IT Slabs applicable

\*Plus, applicable surcharge and cess

**Note 1:** The Finance Bill, 2020 provides for reduced tax rate of 25% in case of domestic companies having total turnover or gross receipts not exceeding INR 4,000 million in the Financial Year 2018-19 (Assessment Year 19-20).

The ordinance amending the Finance Act (No. 2), 2019 has introduced section 115BAA in the IT Act. As per section 115BAA, the rate of tax on certain domestic companies shall be 22% (plus applicable surcharge and cess) subject to fulfilment of certain conditions laid down under the said provisions.

**Note 2:** The Finance Act, 2018 has withdrawn exemption from tax on long-term capital gains arising on transfer of listed equity shares, units of equity oriented mutual fund and units of business trust, with effect from April 1, 2018. As per section 112A of the IT Act, the long-term capital gains above INR 0.1 million on following transfers shall be taxable at 10% :

- Listed Equity Shares (STT paid on acquisition and transfer); and
- Units of Equity Oriented Mutual Fund (STT paid on Transfer)

Benefit of the computation of gains in foreign currency and cost inflation index shall not be available on such gains.

The CBDT has issued a notification on October 1, 2018, clarifying that condition of paying STT at the time of acquisition shall not apply for all transactions of acquisition of equity shares other than the following negative list:

- where the acquisition of existing listed equity shares in a company whose equity shares are not frequently traded on a recognised stock exchange of India is made through a preferential issue, other than specified preferential issues;
- where transactions for acquisition of existing listed equity shares in a company is not entered through a recognised stock exchange, except in specified circumstances; and

- acquisition of equity share during the period beginning from the date on which the company is delisted from a recognised stock exchange and ending on the date immediately preceding the date on which the company is again listed on a recognised stock exchange, in accordance with the Securities Contracts (Regulation) Act, 1956 ("SCRA") read with Securities and Exchange Board of India Act, 1992 (15 of 1992) and the rules made thereunder.

**Note 3:** The Indian tax authorities may seek to apply a higher rate of 20% (plus applicable surcharge and cess) without indexation on long-term capital gains arising on sale of listed bonds and debentures.

**Deemed sale consideration on sale of unquoted shares (Section 50CA of IT Act):**

As per Section 50CA of IT Act, if there is a transfer of unquoted shares of a company at a value lesser than the fair market value, then the fair market value would be deemed to be the full value of sale consideration for computing the capital gains for such unquoted shares. The CBDT has issued rules for computation of Fair Market Value ("FMV") for the purpose of section 50CA of the IT Act. The taxability of such gains would be as discussed above.

**Proceeds on Buy-back of shares by the company**

Buy-back of shares mean the situation when the company repurchases its own shares. Buy-back of shares is one way to distribute companies' surplus profits, another way to distribute its surplus profits as dividend. Buy-back of shares by the company is one of the preferred ways by which a company provides an exit route to the shareholders of the company i.e. the requisite number of shares are extinguished, agreed amount is paid to the shareholders.

As per the Section 10(34A) of the IT Act, gains arising on buyback of shares are exempt in the hands of investors as referred to in section 115QA.

However, as per section 115QA of the IT Act, The Company (both listed and unlisted) is liable to pay tax @ 20% plus surcharge and applicable cess on Distributed Income if the buyback is in accordance with the provisions of the Companies Act, 2013. For the purpose of this section: -

- "Buy-Back" means purchase by a company of its own shares in accordance with the provisions of any law for the time being in force relating to companies.

- "Distributed Income" means the consideration paid by the company on buy-back of shares as reduced by the amount, which was received by the company for issue of such shares, determined in the manner as may be prescribed.

In this regard, CBDT notified final buyback rules by inserting new Rule 40BB to IT Rules for determining the amount received by the Indian company in respect of issue of shares.

**Deemed income on Investment in shares / securities of unlisted companies in India**

Section 56(2)(x) of the IT Act, provides that any assessee receives any property (including shares,

debentures, etc.) without consideration or for inadequate consideration in excess of INR 0.05 million as compared to the FMV shall be taxable in the hands of the recipient as Income from Other Sources.

The CBDT has issued rules with revised mechanism for computation of FMV for the purpose of section 56(2)(x) of the IT Act.

Accordingly, such Other Income would be chargeable to tax (i) at the rate of 30% (plus applicable surcharge cess) in case of Investors being resident companies (ii) at the rate of 30% (plus applicable surcharge cess) in case of firms; and (iii) as per applicable slab rates in case of individuals and others, maximum being 30% (plus applicable surcharge and cess).

#### **Minimum Alternate Tax**

The IT Act provides for levy of Minimum Alternate Tax ("MAT") on corporates if the tax amount calculated at the rate of 15% (plus applicable surcharge and cess) of the book profits, as the case may be, is higher than the tax amount calculated under the normal provisions of the IT Act.

If MAT is held to be applicable to the Investors, then income receivable by such Investors from their investment in the Portfolio Entities shall also be included to determine the MAT liability.

The Ordinance has introduced a new Section 115BAA in the Income Tax Act, 1961 to provide for a lower or concessional rate of corporate tax of 25% or a domestic company irrespective of any turnover limit without allowing certain exemptions and deductions. Section 115JB was amended to provide that a domestic company opting section 115BAA are not required to pay MAT. Hence, such companies are exempt from MAT Provisions and shall not entitled to avail the brought forward MAT credit.

#### **If income is categorised as business income**

If the gains are categorised as business income, it shall be taxable at the rate of 30% or IT Slabs applicable as mentioned above plus applicable surcharge and cess in case of resident investors.

## **II. Taxation of Non-resident investors**

Section 115A to 115AD prescribes tax rates for various types of investment income of different Non-Resident Entities. However, if the non-resident is covered by a particular DTAA, he may apply the rates prescribed under that DTAA, if beneficial, without considering any surcharge and education cess.

A non-resident investor would be subject to taxation in India only if,

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

Section 6 of the IT Act was amended by the Finance Act, 2015 to provide that a foreign company

should be treated as a tax resident in India if its place of effective management ("**POEM**") is in India in that year. The Finance Act, 2016 provided that the said amended provisions are effective from April 1, 2017. POEM has been defined to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.

The CBDT had vide its circular dated January 24, 2017 issued guiding principles for determination of POEM of a company ("**POEM Guidelines**"). The POEM Guidelines lays down emphasis on POEM concept being 'substance over form' and further provides that place where the management decisions are taken would be more important than the place where the decisions are implemented for determining POEM. The CBDT had vide circular dated February 23, 2017 clarified that provisions of Sec 6(3)(ii) relating to POEM would not apply to companies having turnover or gross receipts less than Rs 500 million during the Financial Year.

### **Tax Treaty Benefits**

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

### **Tax Residency Certificate ("**TRC**")**

Section 90(4) of the IT Act provides that in order to claim Tax Treaty benefits, the offshore investor has to obtain a TRC as issued by the foreign tax authorities. Further, the offshore investor should be required to furnish such other information or document as prescribed. In this connection, The CBDT vide its notification dated August 1, 2013 amended Rule 21AB of the IT Rules prescribing certain information in Form No 10F to be produced along with the TRC, if the same does not form part of the TRC.

The details required to be furnished are as follows:

- 1) Status (individual, company, firm, etc.) of the assessee;
- 2) Nationality (in case of an individual) or country or specified territory of incorporation or registration (in case of others);
- 3) Assessee's tax identification number in the country or specified territory of residence and 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 assessee claims to be a resident;
- 4) Period for which the residential status, as mentioned in the TRC, is applicable; and
- 5) Address of the assessee in the country or specified territory outside India, during the period for which the certificate is applicable.

The additional information prescribed above may not be required to be provided if it already forms a part of the TRC.

The taxability of income of the offshore investor, in the absence of Tax Treaty benefits or from a country with which India has no Tax Treaty, would be as per the provisions of IT Act as discussed below:

#### **Dividend Income:**

Before April 1, 2020, Indian companies were required to pay DDT at an effective rate of 20.56 percent on dividends declared and distributed by them. Consequently, the dividend was exempt in the hands of the shareholder—residents as well as non-residents. From a compliance perspective, the government was able to collect dividend tax from one source i.e. companies and even for companies it was not a compliance burden at all.

However, Indian Finance Act 2020 has abolished DDT and, with effect from April 1, 2020, dividends declared by Indian companies would be taxable in the hands of shareholders. For non-resident shareholders—foreign shareholders, portfolio and institutional investors and even individuals (including NRIs)—the said dividend would be taxable in India either at the rates prescribed under the Indian tax laws or relevant tax treaties, whichever is beneficial to the taxpayer.

As per the current law, a tax rate of 20 percent (plus applicable surcharge and cess) is provided under the Indian local laws for dividends paid to non-residents or foreign companies. However, the tax treaties provide for lower rates, depending on the shareholding percentage and country of the investor.

The Indian companies declaring dividend would be required to deduct tax at rates in force (in case of payment to non-resident).

Further, it is inserted that the taxpayer can claim a deduction of interest expenditure under section 57 of the IT Act if such income is offered to tax under the head 'income from Other sources' against such dividend income upto 20% of the dividend income.

Section 80M was introduced by the Finance Bill, 2020. As per Section 80M, in case any Indian company receives dividend from another Indian company and the dividend is distributed by the first mentioned Indian company before the specific due date (i.e. one month prior to the date of filing tax return under section 139 of the IT Act), then deduction can be claimed by such Indian company of so much of dividend received from such another Indian company.

Accordingly, as per the amended provisions, the dividend income (net of deductions, if any) will be taxable at the rates mentioned above.

#### **Interest Income**

Interest income would be subject to tax at the rate of 40% (plus applicable surcharge and cess) for beneficiaries who are non-resident companies. For beneficiaries being non-resident firms / company, interest income would be subject to tax at the rate of 30% (plus applicable surcharge and cess). For other non-resident beneficiaries, interest income would be subject to tax at the rate of 30% (plus applicable surcharge and cess). The above rates would be subject to availability of Tax Treaty benefits, if any.

Non-resident Indian ("NRI") Investors are entitled to be governed by the special tax provisions under Chapter XII-A of the IT Act and if the NRI Investors opt to be governed by these provisions under the IT Act, the interest income from specified assets (which includes debentures issued by public companies) should be taxable at the rate of 20% (plus applicable surcharge and cess) on gross basis.

As per the IT Act, interest on rupee denominated corporate bonds and government securities payable to Foreign Portfolio Investor ("FPI") would be subject to tax at the rate of 5% (plus applicable surcharge and cess) if following conditions are satisfied:

- 1) Such interest is payable on or after 1 June 2013 and 1 July 2020; and
- 2) Rate of interest does not exceed the rate notified by Central Government

If the above concessional tax rate is not available, then then the interest income would be subject to tax rate at the rate of 20% (plus applicable surcharge and cess) for FPI.

**CAPITAL GAIN:**

**Period of holding**

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

Nature of asset	STCA	LTCA
For assets being shares in a company or any other security listed on a recognised stock exchange in India (i.e. equity shares, preference shares or debentures), or a unit of the Unit Trust of India or a unit of an equity oriented mutual fund or zero-coupon bonds	Held for not more than 12 months	Held for more than 12 months
For assets being shares of a company (other than shares listed on a recognised stock exchange in India)	Held for not more than 24 months	Held for more than 24 months
For assets other than those specified above	Held for not more than 36 months	Held for more than 36 months

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

Nature of Income	Tax rate* for offshore investors being Foreign company	Tax rate* for offshore investors being Firms / LLPs/FPI	Tax rate* for any other offshore investors
	%	%	%
Short-term capital gains on transfer of (i) listed equity shares through the recognised stock exchange, (ii) to be listed equity shares sold through offer for sale or (iii) units of equity oriented mutual fund, and on which STT has been paid	15	15	15
Other short-term capital gains	40	30	30
Long-term capital gains on transfer of (i) listed equity shares through the recognised stock exchange, (ii) to be listed equity shares sold through offer for sale or (iii) units of equity oriented mutual fund and on which STT has been paid (Refer Note 1)	10 (without indexation)	10 (without indexation)	10 (without indexation)
Long-term capital gains on transfer of listed bonds / listed debentures or other listed securities (other than units of mutual fund) on which STT has not been paid (Refer Note 2 & 3)	10 (without indexation)	10 (without indexation)	10 (without indexation)
Long-term capital gains on transfer of units of mutual fund (listed or unlisted) other than equity-oriented fund	10 (without indexation)	10 (without indexation)	10 (without indexation)
Long-term capital gains on transfer of unlisted securities	10 (without indexation)	10 (without indexation)	10 (without indexation)

\*Plus, applicable surcharge and cess

**Note 1:** The Finance Act, 2018 has withdrawn exemption from tax on long-term capital gains arising on transfer of listed equity shares, units of equity oriented mutual fund and units of business trust, with effect from April 1, 2018. As per section 112A of the IT Act, the long-term Capital Gains above INR 0.1 million on following transfers shall be taxable at 10%:

- listed equity shares (STT paid on acquisition\* and transfer); and

- units of equity oriented mutual fund (STT paid on transfer)

**Note 2:** Based on judicial precedents, non-residents may avail the concessional tax rate (as mentioned above). However, the possibility of Indian Revenue Authorities disregarding the said position and applying a tax rate of 20% (plus applicable surcharge and cess) cannot be ruled out.

\*The CBDT has issued a notification on October 1, 2018, clarifying that condition of paying STT at the time of acquisition shall not apply for all transactions of acquisition of equity shares other than the following negative list:

- where the acquisition of existing listed equity shares in a company whose equity shares are not frequently traded on a recognised stock exchange of India is made through a preferential issue, other than specified preferential issues;
- where transactions for acquisition of existing listed equity shares in a company is not entered through a recognised stock exchange, except in specified circumstances; and
- acquisition of equity share during the period beginning from the date on which the company is delisted from a recognised stock exchange and ending on the date immediately preceding the date on which the company is again listed on a recognised stock exchange, in accordance with the Securities Contracts (Regulation) Act, 1956 ("SCRA") read with Securities and Exchange Board of India Act, 1992 (15 of 1992) and the rules made thereunder.

**Note 3:** Benefit of the computation of gains in foreign currency and cost inflation index shall not be available on such gains.

Further, the CBDT has clarified by way of FAQs that long-term capital gains in case of FPIs will be determined in the same manner as in the case of resident taxpayers.

NRI Clients/Investors are entitled to be governed by special tax provisions under Chapter XII-A of the ITA and if the NRI Investors opt to be governed by these provisions under the ITA, (i) any long-term capital gains should be taxable at the rate of 10% (plus applicable surcharge and cess) and (ii) any investment income should be taxable at 20% (plus applicable surcharge and cess).

#### **Deemed sale consideration on sale of unquoted shares (Section 50CA of IT Act):**

As per Section 50CA of IT Act, if there is a transfer of unquoted shares of a company at a value lesser than the fair market value, then the fair market value would be deemed to be the full value of sale consideration for computing the capital gains for such unquoted shares. The CBDT has issued rules for computation of Fair Market Value ("FMV") for the purpose of section 50CA of the IT Act. The taxability of such gains would be as discussed above.

#### **Proceeds on Buy-back of shares by the company**

Buy-back of shares mean the situation when the company repurchases its own shares. Buy-back of shares is one way to distribute companies' surplus profits, another way to distribute its surplus

profits as dividend. Buy-back of shares by the Company is one of the preferred ways by which a company provides an exit route to the shareholders of the company i.e. the requisite number of shares are extinguished, agreed amount is paid to the shareholders.

As per the Section 10(34A) of the IT Act, gains arising on buyback of shares are exempt in the hands of Investors as referred to in section 115QA.

However, as per section 115QA of the IT Act, The Company (both listed and unlisted) is liable to pay tax @ 20% plus surcharge and applicable cess on Distributed Income if the buyback is in accordance with the provisions of the Companies Act, 2013. For the purpose of this section: -

-“Buy-Back” means purchase by a company of its own shares in accordance with the provisions of any law for the time being in force relating to companies.

-“Distributed Income” means the consideration paid by the company on buy-back of shares as reduced by the amount, which was received by the company for issue of such shares, determined in the manner as may be prescribed.

In this regard, CBDT notified final buyback rules by inserting new Rule 40BB to IT Rules for determining the amount received by the Indian company in respect of issue of shares.

#### **Deemed income on Investment in shares / securities of unlisted companies in India**

Section 56(2)(x) of the IT Act, provides that any assessee receives any property (including shares, debentures, etc.) without consideration or for inadequate consideration in excess of INR 0.05 million as compared to the FMV shall be taxable in the hands of the recipient as Income from Other Sources.

The CBDT has issued rules with revised mechanism for computation of FMV for the purpose of section 56(2)(x) of the IT Act.

The shortfall in consideration is taxable in the hands of the acquirer as Other Income earned by a foreign company would be chargeable to tax (i) at the rate of 40% (plus applicable surcharge and cess) in case of offshore investors being foreign companies; (ii) at the rate of 30% (plus applicable surcharge and cess) in case of offshore firms / LLPs; and (iii) as per applicable slab rates in case of non-resident individuals and others, maximum being 30% (plus applicable surcharge and cess).

#### **Minimum Alternate Tax**

The IT Act provides for levy of Minimum Alternate Tax (“MAT”) on corporates if the tax amount calculated at the rate of 15% (plus applicable surcharge and cess) of the book profits, as the case may be, is higher than the tax amount calculated under the normal provisions of the IT Act.

If MAT is held to be applicable to the Client/Investors, then income receivable by such Clients/Investors from their investment in the Portfolio Entities shall also be included to determine the MAT liability.

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

#### **Other Provisions**

##### **Carry-forward of losses and other provisions (applicable to both Equity products irrespective of the residential status):**

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

##### **Securities Transaction Tax ("STT"):**

Delivery based purchases and sales of equity shares traded on recognised Indian stock exchanges are subject to STT at the rate of 0.1% on the transaction value of the purchase or sale. Further, STT at the rate of 0.2% on the transaction value is also leviable on sale of unlisted equity shares under an offer for sale to the public included in an initial public offer and where such shares are subsequently listed on a stock exchange. STT is levied on the seller at the rate of 0.025% on the sale of equity share in a company or unit of an equity oriented mutual fund - transaction in a recognised stock exchange, settled otherwise than by actual delivery.

##### **General Anti Avoidance Rule ("GAAR"):**

GAAR provisions have been introduced in chapter X-A of the IT Act (effective from Financial Year beginning on April 1, 2017), which provides that an arrangement whose main purpose is to obtain a tax benefit and which also satisfies at least one of the four specified test as mentioned below, can be declared as an 'impermissible avoidance arrangement'.

1. Arrangement creates rights or obligations, which are not ordinarily created between persons dealing at arm's length price;
2. Arrangement directly or indirectly results in the misuse or abuse of the provisions of the IT Act;
3. Arrangement lacks commercial substance or is deemed to lack commercial substance in whole or in part; or
4. Arrangement is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bonafide purposes.

The GAAR provisions would override the provisions of a Tax Treaty in cases where GAAR is invoked. The necessary procedures for application of GAAR and conditions under which it should not apply, have been enumerated in Rules 10U to 10UC of the IT Rules. The IT Rules provide that

GAAR should not be invoked unless the tax benefit in the relevant year does not exceed INR 30 million.

On January 27, 2017, the CBDT has issued clarifications on implementation of GAAR provisions in response to various queries received from the stakeholders and industry associations. Some of the important clarifications issued are as under:

1. Where tax avoidance is sufficiently addressed by the Limitation of Benefit Clause ('LOB') in a Tax Treaty, GAAR should not be invoked.
2. GAAR should not be invoked merely on the ground that the entity is located in a tax efficient jurisdiction.
3. GAAR is with respect to an arrangement or part of the arrangement and limit of INR 30 million cannot be read in respect of a single taxpayer only.

**Multilateral Instrument to implement Tax Treaty Related Measures to prevent base erosion and profit shifting ("MLI"):**

The Organisation of Economic Co-operation and Development ("OECD") released the MLI. The MLI, amongst others, includes a "principal purpose test", wherein treaty benefits can be denied if one of the principal purposes of an arrangement or a transaction was to, directly or indirectly, obtain tax benefit.

The MLI has also expanded the scope of permanent establishment to include agent (excluding an independent agent) playing principal role, leading to routine conclusion of contracts without material modification. For this purpose, an agent is not considered independent if it acts exclusively or almost exclusively on behalf of one or more closely related enterprises. India has been an active participant in the entire discussion and its involvement in the BEPS project has been intensive.

Further, treaty benefits availed under various tax treaties with India will also be subject to provisions of MLI. MLI will enter into effect for the tax treaty signed between India and various countries from financial year beginning 1 April 2020.

**Disclaimer: The tax information provided above is generic in nature and the actual tax implications for each Client could vary substantially from what is mentioned above, depending on residential status, the facts and circumstances of each case. The Client would therefore be best advised to consult his or her tax advisor/consultant for appropriate advice on the tax treatment of his income or loss and the expenses incurred by him as a result of his investment as offered by the Portfolio Manager.**

**Accounting policies**

Following key accounting policies shall be followed:

- All investments will be marked to market.
- In determining the holding cost of investments and the gains or loss on sale of investments, the 'FIFO (First In First Out)' method shall be followed.
- The cost of investments acquired or purchased would include brokerage, stamp charges and any charge customarily included in the broker's contract note.
- Accounting norms prevalent in the portfolio management services industry and as may be prescribed/applicable from time to time.

### **Investors services**

The Portfolio Manager seeks to provide the Clients with a high standard of service. The Portfolio Manager is committed to put in place and upgrade on a continuous basis the systems and procedures that will enable effective servicing through the use of technology. The Client servicing essentially involves:

- (a) Reporting Portfolio actions and Client statement of accounts at pre-defined frequency;
- (b) Attending to and addressing any Client query with least lead time;
- (c) Ensuring Portfolio reviews at predefined frequency.

**Name, Address and Telephone number of the Investor Relation Officer who shall attend to the investor queries and complaints:**

<b>Name</b>	Ms. Aanchal Goenka
<b>Designation</b>	Compliance Officer
<b>Address</b>	Vastugram, Vesu, Surat - 395007
<b>Mobile No</b>	+91 70417 69070
<b>Email id</b>	anchal@moleculeventures.in

### **Grievance Redressal and Dispute Settlement Mechanism:**

The aforesaid personnel of the Portfolio Manager shall attend to and address any Client query/concern/grievance at the earliest. The Portfolio Manager will ensure that this official is vested with the necessary authority and independence to handle Client complaints. The aforesaid official will immediately identify the grievance and take appropriate steps to eliminate the causes of such grievances to the satisfaction of the Client. Effective grievance management would be an essential element of the Portfolio Manager's Portfolio Management Services and the aforesaid official may adopt the following approach to manage grievance effectively and expeditiously:

1. **Quick action-** As soon as any grievance comes to the knowledge of the aforesaid personnel, it would be identified and resolved. This will lower the detrimental effects of grievance.
2. **Acknowledging grievance-** The aforesaid officer shall acknowledge the grievance put forward by the Client and look into the complaint impartially and without any bias.
3. **Gathering facts-** The aforesaid official shall gather appropriate and sufficient facts explaining grievance's nature. A record of such facts shall be maintained so that these can be used in later stages of grievance redressal.
4. **Examining the causes of grievance-** The actual cause of grievance would be identified. Accordingly, remedial actions would be taken to prevent repetition of the grievance.
5. **Decision making** - After identifying the causes of grievance, alternative course of actions would be thought of to manage grievance. The effect of each course of action on the existing and future management policies and procedures would be analysed and accordingly decision should be taken by the aforesaid official. The aforesaid official would execute the decision quickly.
6. **Review** - After implementing the decision, a follow-up would be there to ensure that the grievance has been resolved completely and adequately.

Grievances/concerns, if any, which may not be resolved/satisfactorily addressed in aforesaid manner shall be redressed through the administrative mechanism by the designated Principal Officer and subject to the Regulations. The Principal Officer will endeavor to address such grievance in a reasonable manner and in time. The coordinates of the Principal Officer are provided as under:

<b>Name</b>	Mr. Nirav Parikh
<b>Designation</b>	Principal Officer
<b>Address</b>	8/B Siddhchakra Apartment, A Block, Sargam Shopping Centre, Parle Point, Surat - 395007, Gujarat, India
<b>Mobile No</b>	+91 261 3599804
<b>Email id</b>	nirav@moleculeventures.in

If the Client still remains dissatisfied with the remedies offered or the stand taken by the Compliance Officer, the Client and the Portfolio Manager shall abide by the following mechanisms:

Any dispute arising out of or in relation to this Document, shall be submitted to arbitration by the Portfolio Manager and the Client under the Arbitration and Conciliation Act, 1996. The Portfolio Manager and the Client shall jointly appoint a sole arbitrator mutually acceptable to them. In the event of failure to agree upon a sole arbitrator for a period of 15 (fifteen) days of receipt of notice, the arbitration shall be before 3 (three) arbitrators, where the Portfolio Manager and the Client shall appoint an arbitrator each for themselves and the third arbitrator being the presiding arbitrator appointed by 2 (two) arbitrators. The Portfolio Manager and the Client will bear the expenses / costs incurred by them in appointing the arbitrator and for the arbitration proceedings. Further, the cost of appointing the presiding arbitrator will be borne equally by both the parties. Such arbitration proceedings shall be held at Mumbai and the language of the arbitration shall be English.

Without prejudice to anything stated above, the Client can also register its grievance/complaint through SCORES (SEBI Complaints Redress System), post which the complaint will be either routed to the Portfolio Manager or to SEBI (as applicable), which may then forward the complaint to the Portfolio Manager. SCORES is available at <http://scores.gov.in>.

**Details of investments in the securities of related parties of the portfolio manager**

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

**Details of the diversification policy of the portfolio manager**

Molecule Ventures LLP has a bottom-up fundamentals-oriented philosophy where the list of portfolio companies is formed based on the resilience of fundamentals (as one of the many factors) of the respective companies against various external headwinds such as macro-economic factors, competitive intensity etc. This reliance in portfolio fundamentals provides the biggest source of downside protection against volatility in the external operating environment. For managing diversification risk and to reduce the exposure of massive drawdown of a single stock, we invest in different types of stocks and accordingly curates the portfolio. However, the number of stocks ranges between 12 to 15 in a portfolio basis client requirement. The average number of stocks in our portfolios is around 8-9 stocks per portfolio.

**General Provision**

***Prevention of Money Laundering***

The Portfolio Manager shall presume that the identity of the Client and the information disclosed by the Client 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 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, 1961, PML Laws, Prevention of Corruption Act, 1988 and/or any other Applicable Law in force and the Investor is duly entitled to invest the said funds.

To ensure appropriate identification of the Client(s) under its Know Your Client (KYC) policy and with a view to monitor transactions in order to prevent money laundering, the Portfolio Manager (itself or through its nominated agency as permissible under Applicable Laws) 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.




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 Client shall provide an undertaking that the Client, holding the funds/Securities in his name, is legally authorized/entitled to invest the said funds/Securities through the services of the Portfolio Manager, for the benefit of the beneficiaries.

The Portfolio Manager will not seek fresh KYC from the Clients who are already KYC Registration Agency (KRA) compliant except the information required under any new KYC requirement. The Clients who are not KRA compliant, the information will be procured by the Portfolio Manager and uploaded.

The Portfolio Manager, and its partners, employees, agents and service providers shall not be liable in any manner for any claims arising whatsoever on account of freezing the Client's account/rejection of any application or mandatory repayment/returning of funds due to non-compliance with the provisions of the PML Laws and KYC policy. If the Portfolio Manager believes that the transaction is suspicious in nature within the purview of the PML Laws, then it will report the same to FIU-IND.

Notwithstanding anything contained in this Document, the provisions of the Regulations, PML Laws and the guidelines there under shall be applicable. Clients/Investors are advised to read the Document carefully before entering into an Agreement with the Portfolio Manager.

**For and on behalf of Molecule Ventures LLP**

<b>Mr. Nirav Parikh</b> (Designated Partner)		
<b>Mr. Mitin Jain</b> (Designated Partner)		

Place: Mumbai  
Date: May 28, 2024

## Annexure I

### Investment Approaches

#### Molecule High Growth Strategy

- **Investment Objective:** To generate steady returns from long-term investments in high quality growth stock while limiting downside risk by evaluating risk reward ratio.
- **Description of types of securities e.g. equity or debt, listed or unlisted, convertible instruments, etc.:** Portfolio Manager will be investing in listed equity securities and liquid schemes of mutual funds.
- **Basis of selection of such types of securities as part of the investment approach:** Stocks will be selected based on a mix of fundamental, macro and technical views.
- **Allocation of portfolio across types of securities:** Typically, 100% (hundred percent) of the Portfolio will be composed of equities with intermittent cash calls.
- **Appropriate benchmark to compare performance and basis for choice of benchmark:** As the PMS will aim to deliver steady returns from long term investments and strategy is largely growth, the appropriate benchmark would be S&P BSE 500.
- **Indicative tenure or investment horizon:** The average tenure of positions will be 2 (two) to 3 (three) years.
- **Risks associated with the Investment Approach:** The major risk associated with this approach is company specific risk and macro-economic risk.
- **Other salient features:** The PMS will look to mitigate risk through intermittent cash creation calls.

**FORM C**

Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 (Regulation 22)

<b>Name</b>	Molecule Ventures LLP
<b>Address</b>	<b>Registered Address:</b> Flat No 802, 8th Floor, Kingston Tower, G D Ambekar Marg, Parel, Tank Road, Mumbai – 400012, Maharashtra, India  <b>Correspondence Address:</b> 1302, B-Wing, Naman Midtown Building, FP No.616 Tulsi Pipe Road, Dr. Ambedkar Nagar, Senapati Bapat Marg, Elphinstone (W), Mumbai – 400013, Maharashtra, India  <b>Principal place of business:</b> Office No. B-904, Tower-B, 'Swastik Universal', Near Valentine Cinema, Duman Road, Surat – 395007, Gujarat, India
<b>Phone</b>	+91 261 3599804
<b>Fax Number</b>	Not Applicable
<b>Email</b>	nirav@moleculeventures.in

We confirm that:

- (i) The Disclosure Document forwarded to SEBI is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by SEBI from time to time.
- (ii) The disclosures made in the Document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the Portfolio to us / investment through the Portfolio Manager.
- (iii) The Disclosure Document has been duly certified by an independent Chartered Accountant, as on October 18, 2025. The details of the Chartered Accountant are as follows:

<b>Name of the Firm</b>	Abhishek Kothari & Associates
<b>Registration Number</b>	138938W
<b>Proprietor</b>	Abhishek Ashwin Kothari
<b>Membership Number</b>	158827
<b>Address</b>	Flat No. 2503, 8th Floor, Kingston Tower, G D Ambekar Marg, Parel, Tank Road, Mumbai- 400012, Maharashtra, India
<b>Telephone Number</b>	+91 99200 20860

(enclosed is a copy of the Chartered Accountant's certificate to the effect that the disclosures made in the document are true, fair and adequate to enable the investors to make a well-informed decision).

**For and on behalf of Molecule Ventures LLP**



**Nirav Parikh**  
Principal Officer

8/B Siddhchakra Apartment, A Block,  
Sargam Shopping Centre, Parle Point,  
Surat - 395007, Gujarat, India

**Date :** October 18, 2025

**Place :** Mumbai