

**PORTFOLIO MANAGEMENT SERVICES****DISCLOSURE DOCUMENT****OF****CAPGROW CAPITAL ADVISORS LLP****(SEBI Registration No. INP000006147)*****(As per the requirement of the Fifth Schedule under Regulation 14 of SEBI (Portfolio Managers) Regulations, 1993)***

- (i) The Document has been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, as amended from time to time and filed with SEBI.
- (ii) The Document has been filed with the Board (SEBI) along with the certificate in the prescribed format in terms of regulation 14 of SEBI (Portfolio Managers) Regulation 1993.
- (iii) The purpose of the Document is to provide essential information about the Portfolio Management Services (PMS) in a manner to assist and enable the investors in making an informed decision for engaging a Portfolio Manager.
- (iv) The document contains necessary information about the Portfolio Manager required by an investor before investing, and the investor may also be advised to retain the document for future reference.
- (v) This Disclosure Document is dated 30<sup>th</sup> September, 2019(financial data considered up to 30<sup>th</sup> September 2019).

**Details of the Portfolio Manager**

Name of Portfolio Manager : CapGrow Capital Advisors LLP  
 SEBI Registration Number : INP000006147  
**Registered Office Address** : 203-A, Gitanjali Arcade, 2nd Floor,  
 Above SVC Bank & INDIAN Bank, Nehru Road,  
 Vile Parle (E), Mumbai – 400057.

Phone No(s) : 022 61396507  
 E-mail address : [arun@capgrowcapital.com](mailto:arun@capgrowcapital.com)

**Details of Principal Officer**

Name of Principal Officer : Mr. Arun Malhotra  
 Corporate Office Address : 203-A, Gitanjali Arcade, 2nd Floor,  
 Above SVC Bank & INDIAN Bank, Nehru Road,  
 Vile Parle (E), Mumbai – 400057.

Phone No(s) : 022 61396507  
 E-mail address : [arun@capgrowcapital.com](mailto:arun@capgrowcapital.com)

I N D E X

<u>Sr. No.</u>	<u>Contents</u>	<u>Page No.</u>
1	Disclaimer clause	3
2	Definitions	3
3	Description about Portfolio Manager	6
	3.i History, Present business, and background of the Portfolio Manager	6
	3.ii Directors and Promoters of the Portfolio Manager	6
	3.iii Top 10 Group Companies under the same management as per section 370 (ib) of the Companies Act 1956, of the Portfolio Manager in India	7
4	Penalties, pending litigations or proceedings, findings of inspections or investigations for which actions may have been taken or initiated by any regulatory authority.	8
5	Details of Services offered	8
	5.1 Services offered	8
	5.2 Investment Objective	9
	5.3 Type of Security	10
	5.4 Minimum Investment Amount	10
	5.5 Details of PMS Plans for Discretionary Services	11
6	Risk Factors	11
7	Client Representation	15
	7.1 Details of Client's Account Active	15
	7.2 Complete Disclosure in respect of transactions with related parties as per the Accounting Standards specified by the Institute of Chartered Accountants of India	16
8	The Financial Performance of Portfolio Manager	16
	8.1 Capital Structure	17
	8.2 Deployment of Resources	17
	8.3 Major Sources of Income	17
	8.4 Net Profit	17
9	Performance of the Portfolio Manager for the last 3 Years	18
10	Fees and Services Charged (To be based on actuals)	18
11	Taxation	19
12	Accounting Policies	21
13	Agreement	23
14	Termination of Agreement	26
15	Disclaimer by the Portfolio Manager	26
16	Investor Services	27
17	Anti-Money Laundering Compliances	28
18	List of Approved Share Brokers involved for Portfolio Management activities	29
19	General	29
20	Form C	30

## Contents of Disclosure Document

### 1) Disclaimer clause:

The particulars given in this Document have been prepared in accordance with the SEBI (Portfolio Managers) Regulations' 1993 and filed with SEBI. This Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the document. You are requested to retain the document for future reference. You are requested to retain the document for future reference. This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person.

Notwithstanding anything contained in the Disclosure Document, the provisions of SEBI (Portfolio Managers) Regulations, 1993 and as amended from time to time and the circulars/guidelines issues from time to time there under shall be applicable.

This Disclosure Document along with a certificate in Form C is required to be provided to the Client, at least two days prior to entering into an agreement with the Client.

### 2) Definitions:

Unless the context or meaning thereof otherwise requires, the following expressions shall have the meaning assigned to them hereunder respectively: -

- (a) **"Act"** means the Securities and Exchange Board of India, Act 1992 (15 of 1992) as amended from time to time.
- (b) **"Agreement"** means agreement between Portfolio Manager and its Clients in terms of Regulation 14 of SEBI (Portfolio Managers) Regulations, 1993 and SEBI (Portfolio Managers) (Amendment) Regulations, 2016 issued by Securities and Exchange Board of India and shall include all recitals, schedules, exhibits and Annexure attached thereto and any amendments made to this Agreement by the Parties in writing.
- (c) **"Application"** means the application made by the Client to the Portfolio Manager to place the monies and/or securities mentioned therein with the Portfolio Manager for Portfolio Management Services. Upon execution of the Agreement by the Portfolio Manager, the Application shall be deemed to form an integral part of the Agreement. Provided that in case of any conflict between the contents of the Application and the provisions of the Agreement, the provisions of the Agreement shall prevail.
- (d) **"Assets"** means (i) the Portfolio and/or (ii) the Funds and includes all accruals, benefits, allotments, calls, refunds, returns, privileges, entitlements, substitutions and / or replacements or any other beneficial interest, including dividend, interest, rights, bonus as well as residual cash balances, if any (represented both by quantity and in monetary value), in relation to or arising out of Assets.
- (e) **"Bank Account"** means one or more accounts opened, maintained and operated by the Portfolio Manager with any of the Scheduled Commercial Banks in the name of the Client or a pool account in the name of Portfolio Manager to keep the Funds of all clients.

- (f) **"Board" or "SEBI"** means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act, 1992 as amended from time to time.
- (g) **"Business Day"** means days other than:
- Saturday and Sunday,
  - a day on which the Banks in Mumbai and/or RBI are closed for business/clearing,
  - a day on which the Bombay Stock Exchange and the National Stock Exchange are closed,
  - a day on which normal business could not be transacted due to storms, floods, bands, strikes etc.
- (h) **"Client/Investor"** means the person who enters into an Agreement with the Portfolio Manager for managing its portfolio / funds.
- (i) **"Custodian"** means a custodian registered under the SEBI (Custodian of Securities) Regulations, 1996 appointed by the Portfolio Manager for maintaining custody of funds and securities of the client.
- (j) **"Depository Account"** means one or more account or accounts opened, maintained and operated by the Portfolio Manager in the name of the Client, with any depository or depository participant registered under the SEBI (Depositories and Participants) Regulations 1996.
- (k) **"Discretionary Portfolio Management Services"** means the portfolio management services rendered to the Client, by the portfolio Manager on the terms and conditions contained in this Agreement, where under the Portfolio Manager exercises any degree of discretion in investments or management of assets of the Client;
- (l) **"Document"** means Disclosure Document
- (m) **"Financial year"** means the year starting from 1<sup>st</sup> April and ending on 31<sup>st</sup> March of the following year
- (n) **"Funds"** means the monies placed by the Client with the Portfolio Manager and any accretions thereto.
- (o) **"High Water Mark"** means value of the highest Closing NAV achieved by the Portfolio in any year during the subsistence of this Agreement (adjusted for any additional funds/withdrawals by the Client in that year) and net of Portfolio Management Fees, for that year.
- (p) **"Investment Advice"** means advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning.
- (q) **"Investment Management Fees"** shall have the meaning attributed thereto in Clause [10] of this Document under the head Fees & Services Charged (To be charged on Actuals)
- (r) **"Non-Discretionary Portfolio Management Services"** means the portfolio management services rendered to the client, by the Portfolio Manager on the terms and conditions

contained in the Agreement with respect to the Assets (including the Portfolio and Funds) of the Client, where the Portfolio Manager shall provide advice in relation to assets but does not exercise any discretion with respect to investments or management of the Assets of the Client, and invests and manage the Assets only after seeking and taking approval from the Client, entirely at the Client's risk.

- (s) **"Net Asset Value" (NAV):** Net Asset Value is the market value of assets in portfolio consisting of equity, derivative, debt, mutual funds units, cash, cash equivalents, accrued interest or benefits receivables, if any, etc. less payable, if any.
- (t) **"NRI"** means a Non-Resident Indian as defined under the Foreign Exchange Management Act, 1999.
- (u) **"Parties"** means the Portfolio Manager and the Client; and **"Party"** shall be construed accordingly.
- (v) **"Person"** includes any individual, partners in partnership, limited liability partnership, central or state government, company, body corporate, cooperative society, corporation, trust, society, Hindu Undivided Family or any other body of persons, whether incorporated or not.
- (w) **"Portfolio Manager"** means **CapGrow Capital Advisors LLP** who has obtained certificate of registration from SEBI to act as a Portfolio Manager under Securities and Exchange Board of India (Portfolio Managers) Rules and Regulations, 1993, vide Registration No. **INP000006147**.
- (x) **"Plan/Product"** shall mean plans offered by the Portfolio Manager and accepted by the client for the purpose of investments.
- (y) **"Portfolio"** means the Securities and/or fund managed by the Portfolio Manager on behalf of the Client pursuant to this Agreement and includes any Securities mentioned in the Application, any further Securities placed by the Client with the Portfolio Manager for being managed pursuant to the Agreement, Securities acquired by the Portfolio Manager through investment of Funds and bonus and rights shares in respect of Securities forming part of the Portfolio, so long as the same is managed by the Portfolio Manager.
- (z) **"Principal Officer"** means an individual who is responsible for the activities of portfolio management and has been designated as principal officer by the portfolio manager.
- (aa) **"Regulations"** means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, as amended from time to time;
- (bb) **"Scheduled Commercial Bank"** means any bank included in the second Schedule to the Reserve Bank of India Act, 1934(2 of 1934).
- (cc) **"Securities"** shall mean and include "Securities" as defined under the Securities Contracts (Regulation) Act, 1956; Shares, scripts, stocks, bonds, warrants, convertible and non-convertible debentures, fixed return investments, equity linked instruments, negotiable instruments, deposits, money market instruments, commercial paper, certificates of deposit, units issued by the Unit Trust of India and/or by any mutual funds, exchange traded funds, mortgage backed or other asset backed securities, derivatives, derivative instruments, options, futures, foreign currency commitments, hedges, swaps or netting off

and any other securities issued by any company or other body corporate, any trust, any entity, the Central Government, any State Government or any local or statutory authority and all money rights or property that may at any time be offered or accrue (whether by rights, bonus, redemption, preference, option or otherwise) and whether in physical or dematerialized form in respect of any of the foregoing or evidencing or representing rights or interest therein; and any other instruments or investments (including borrowing or lending of securities) as may be permitted by applicable law from time to time.

**INTERPRETATION:**

- Words and expressions used in this disclosure document and not expressly defined shall be interpreted according to their general meaning and usage. The definitions are not exhaustive.
- They have been included only for the purpose of clarity and shall, in addition, be interpreted according to their general meaning and usage and shall also carry meanings assigned to them in regulations governing Portfolio Management Services.
- All references to the masculine shall include the feminine and all references, to the singular shall include the plural and vice-versa.
- All references "Rs." refer to Indian Rupees. A "crore" means "ten million" and a "lakh" means a "hundred thousand".

**3) Description about Portfolio Manager:**

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

**a) History of the Portfolio Manager:**

CapGrow Capital Advisors LLP is a Limited Liability Partnership firm incorporated on 11<sup>th</sup> April 2018, registered under Registrar of Companies, Mumbai. Mr. Arun Malhotra and Mr. Rajesh Shah are the designated partners of the LLP.

Mr. Arun Malhotra has pursued MBA in Finance & Accounting from Simon Graduate School of Business, University of Rochester, New York. Since March 2013, he has been managing a family office with own proprietary research database and trading strategies. He has also acted as an advisor in ISM Capital LLC, London, for their India dedicated investment banking business during the period March 2013 to December 2017.

**b) Present Business and Background:**

CapGrow Capital Advisors LLP has obtained a Certificate to act as Portfolio Manager from SEBI under SEBI (Portfolio Managers) Regulations, 1993 vide Registration No. INP000006147 effective from 05<sup>th</sup> October 2018, the certificate shall be valid till it is suspended.

The LLP's main objective is to provide value added services to its clients which align with the client's long term goals of wealth creation. The LLP also leverages its research capabilities to the fullest extent to generate long term returns for its clients

**ii) Designated Partner and Promoters of the Portfolio Manager:**

Mr. Arun Malhotra and Mr. Rajesh Shah are the Promoters of CapGrow Capital Advisors LLP.

a. **Designated Partner:**

The Designated Partner of LLP is as below:

- Mr. Arun Malhotra
- Mr. Rajesh Shah

**Partner's Background**

➤ **Mr. Arun Malhotra**

Mr. Arun Malhotra has pursued MBA in Finance & Accounting from Simon Graduate School of Business, University of Rochester, New York. Since March 2013, he has been managing a family office with own proprietary research database and trading strategies. He has also acted as an advisor in ISM Capital LLC, London, for their India dedicated investment banking business during the period March 2013 to December 2017.

He had joined Smith Management Advisory Services Pvt. Ltd. (sole advisory to U.S hedge fund Alden Global, a \$2.0 billion fund) from 2005 in Mumbai as Director/Senior Investment Analyst. This fund was promoted by Randal Smith, a pioneer in distressed investing. He managed this fund along with a colleague for eight years, where the peak corpus size was \$ 300 million and was invested across the capital structure of the firm. He had joined Manning & Napier Advisors, Inc., a value based fund with client assets of \$ 25 billion as an Associate Analyst in Rochester, New York, USA where he conducted equity research of US Pharmaceuticals and biotech sector stocks.

➤ **Mr. Rajesh Shah**

Mr. Rajesh Mafatlal Shah had joined M/s Pankaj Karani, Stock Broker (SEBI Regn No. INB010560312) as Vice President from March 1994 to October 1999 where he was responsible for dealing/equity trading, client relationship management, internal process and adherence to the best practices for a stock broking firm. He was responsible for stock trading, maintaining existing broking client relationships, acquiring new retail clients and ensuring various Compliances to the regulatory authorities including daily reporting requirements to the Bombay Stock Exchange. He was appointed from August 2004 till May 2018 as a Director in Shah & Shah Finsol Private Limited which is a Mutual Fund Distributor and Financial Advisor. He was majorly involved in various investment activities across various asset classes including real estate and equity oriented mutual funds.

Under his leadership the mutual fund business has grown to more than 300 crores in the span of 4 years.

iii) **Top 10 Group Companies under the same Management as per section 370(1B) of the Companies Act, 1956, of the Portfolio Manager in India):**

There are no group companies under the same management as explained in the SEBI Circular No. RPM Circular No. 1 (2002-03).

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

Sr. No.	Particulars	Remarks
1	All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Rules or Regulations made there under	None
2	The nature of the penalty / direction	None
3	Any pending material litigation / legal proceedings against the portfolio manager / key personnel with separate disclosure regarding pending criminal cases, if any:	None
4	Any deficiency in the systems and operations of the portfolio manager observed by the Board or any regulatory agency:	None
5	Any enquiry / adjudication proceedings initiated by the Board against the portfolio manager or its directors, principal officer or employee or any person directly or indirectly connected with the portfolio manager or its directors, principal officer or employee under the Act or Rules or Regulations made there under:	None
6	Penalties imposed for any economic offence and/or violation of any securities laws	None

5) **Details of Services Offered**

1. **Services offered**

The Portfolio Manager offers Portfolio Management services under Discretionary, Non-Discretionary, and Advisory categories to its prospective clients.

a. **Discretionary Portfolio Management –**

Under the Discretionary Portfolio Management Services, the Portfolio Manager will have the sole and absolute discretion with regard to selection of the type of securities traded on behalf of the Client and held in the portfolio, based on the executed agreement. The Portfolio Manager has the discretion as regards the choice and timing of the investment decisions, to make changes in the investment and to invest some or all of the funds of the Client in such manner and in such industries/sectors/securities as the Portfolio manager discretion. The Securities invested / disinvested 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 Clients' funds is absolute and final and cannot be called in question or be open for review at any time during the course of the Agreement or any time thereafter except on the ground of malafide intent, fraud, conflict of interest or gross negligence. This right of the Portfolio Manager will be exercised strictly in accordance with the relevant acts, rules, regulations, guidelines and notifications in force from time to time.

b. **Non-discretionary Portfolio Management –**

In the case of non-discretionary services, the investment objectives and the securities to be invested would be entirely decided by the Client. The same could vary widely from client to client. However, the execution would be carried out only after getting the approval from the Client.



Under Non-Discretionary category, the investment decisions of the Portfolio Manager are guided by the instructions received from the client. The deployment of funds is the sole discretion of the client and is to be exercised by the portfolio manager in a manner strictly complies with the client's instruction. The decision of the client in deployment of funds and the handling of his / her / its portfolio is absolute and final. The role of the Portfolio Manager apart from adhering to investments or divestments upon instructions of the client is restricted to providing market intelligence, research reports, trading strategies, trade statistics and such other material which will enable the client to take appropriate investment decisions. For the purpose of acting on client's instructions, the Portfolio Manager shall take instructions in writing or through any other media mutually agreed such as email, fax, telephone or suitable and secured message and may include managing, renewing and reshuffling the portfolio, buying and selling of securities, keeping safe custody of the securities and monitoring book closures, dividend, bonus, rights, etc. so that all benefits accrue to the client's portfolio, for an agreed fee structure and for a definite described period, entirely at the client's risk.

c. **Advisory Services –**

The Portfolio client is to be given purely advisory services as stipulated under SEBI PMS Regulations and in accordance with the requirement of the client. Portfolio Manager gives advice to the client regarding investment / disinvestment in Securities. However, discretion lies with the client whether to act upon it or to ignore the advice. The Portfolio Manager will provide advisory portfolio management services, in terms of the SEBI (Portfolio Manager) Regulations, 1993 and SEBI (Investment Advisers) Regulations, 2013, which shall be in the nature of Investment advice and may include advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client. Investment advice shall be for an agreed fee structure and for a period agreed and entirely at the client's risk. The Portfolio Manager shall act in a fiduciary capacity towards its client.

2. **Investment objective**

The funds of the Clients shall be invested in such capital and money market instruments, including securities as defined under the Securities Contract (Regulation) Act, 1956, and shall include any securities, derivatives and other instruments which are tradable on any of Exchanges as wells such units of Unit Trust of India and / or other mutual funds (whether listed or unlisted), government securities, debt instruments, negotiable instruments, unlisted securities, certificates of deposit, participation certificates, commercial paper, securitized debt instruments, investments in company deposits, bank deposits, treasury bills and such other eligible modes of investment and/or forms of deployment within the meaning of the Regulation issued by SEBI as amended from time to time.

The Portfolio Manager may however, enter into futures contracts, options in securities, options on indices and other similar types of investment, which may result in the Client having to provide initial margin payments and which would be deemed. The Portfolio Manager shall observe a high standard of integrity and fair dealing in all transactions involving the Client's Account. The investment in the securities mentioned in the above point will be in accordance with the objectives as given in the agreement and also any of the product / plan categories accepted by the client.

The investment objectives would be one or more of the following or combination thereof:

- a. To provide investment flexibility to client across various market segments

- b. To generate good return on investments
- c. To generate short term and/ or long term capital appreciation

The Portfolio Manager offers various investment strategies based portfolios to allow for standardized customization in sync with investor profile and also customized portfolio as per suitability and specific requirements of the client. The general objective is to formulate and device the investment philosophy to achieve long term growth of capital.

Objective of the Derivative Exposure: The objective to use derivatives is purely to protect the portfolio in case of a severe market correction. We seek to use derivatives purely to protect client's portfolio in case of sharp drawdowns of the aggregate market. The Derivatives will only be used for hedging and/or portfolio rebalancing.

### 3. Types of Securities

The portfolio manager/fund manager shall invest in all such types of securities as defined in above (Please refer to definitions) and in all such securities as permissible from time to time.

Consistent with the investment objective and subject to Regulations, the corpus will be invested in any of (but not exclusively) the following securities:

- i. Equity and equity related securities including convertible bonds (including equity linked debentures) and debentures and warrants carrying the right to obtain equity shares;
- ii. Securities issued/guaranteed by the Central, State Governments and local governments (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills);
- iii. Obligations of Banks (both public and private sector) and Development Financial Institutions like Certificate of Deposits (CDs), Coupon bearing Bonds, Zero Coupon Bonds;
- iv. Money Market instruments permitted by SEBI/RBI;
- v. Certificate of Deposits (CDs);
- vi. Commercial Paper (CPs);
- vii. Mutual Fund units, Fixed deposits, Bonds, debentures etc.;
- viii. Units of venture funds;
- ix. Securitization instruments;
- x. Foreign securities as permissible by Regulations from time to time;
- xi. Any other securities and instruments as permitted by the Regulations from time to time.

The securities mentioned above could be listed, unlisted, privately placed, secured, unsecured, rated or unrated and of any maturity. The securities may be acquired through Initial Public Offerings (IPOs), secondary market operations, private placement, rights offers or negotiated deals.

### 4. Minimum Investment Amount

The Portfolio Manager will not accept an initial corpus of less than Rs. 25.00 lacs or such minimum amount as specified by SEBI from time to time. The client may on one or more instances or on a continual basis, make further placements of funds / securities under the services.

## 5. Details of PMS Plans for Discretionary Services-

### a. Growth Strategy:

The aim of the strategy is to generate returns by investing in companies that could offer sustainable long term capital appreciation and are available at reasonable valuations. The Portfolio Manager believes that there are various reasons that could help to achieve the "Delta" by this company in their financial performance. The investment approach for the strategy will have the following core principles:

- In depth research across with proper documentation on the company and the key monitor-able.
- Focus on good quality businesses with excellent corporate governance.
- Adequate margin of safety.
- Concentration leading to 15-20 Stocks
- Diversification to ensure uncorrelated stocks form part of the portfolio.

The endeavor is to ensure that adequate layers of protection are built into withstand the market volatility and any unexpected negative returns. The selected portfolio companies in this strategy will have the following characteristics in one form or other:

Moats – as analyzed under the

- Strong entry barriers
- Top quality management
- High capital efficiency
- Reasonable valuations.

**Benchmark: NIFTY 500**

### b. Special Situations Strategy:

The main objective of the strategy is to utilize the special situations of the Company that could be either Buy backs, Spin offs, Demerger, Delisting or Broken IPOs, or may be distressed situations.

This is a strategy that will be market neutral to a large extent and will depend upon the events likely to happen in the future. These are corporate events that create shareholder value and are also a function of the behavioral finance of the business owners. The distressed situations are an interesting piece that happen every 6-8 years in cyclical industries and offer descent upside. These strategies are not linked to the market movements but are dependent on the likelihood of the corporate events happening in the future.

**Benchmark: NIFTY 500**

## 6) Risk Factors:

- 1) Investments in securities are subject to market risks and include price fluctuation risks. There are no assurances or guarantees that the objectives of investments in securities will be achieved. These investments may not be suited to all categories of investors.

- 2) The value of the Portfolio may increase or decrease depending upon various market forces and factors affecting the capital markets such as de-listing 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.
- 3) The past performance of the Portfolio Manager is not indicative of the future performance. Investors are not being offered any guaranteed or indicative returns.
- 4) The Client stands a risk of loss due to lack of adequate external systems for transferring, pricing, accounting and safekeeping or record keeping of Securities. Transfer risk may arise due to the process involved in registering the shares, physical and Demat, in the Portfolio Manager's name, while price risk may arise on account of availability of share price from stock exchanges during the day and at the close of the day.
- 5) Investment decisions made by the Portfolio Manager may not always be profitable.
- 6) Investments made by the Portfolio Manager are subject to risks arising from the investment objective, investment strategy and asset allocation.
- 7) Not meeting the obligation to make Capital Contributions in terms of the Agreement may have implications as set out in the Agreement and may also impact the profitability of the Portfolio.
- 8) Equity and Equity Related Risks: Equity instruments carry both company specific and market risks and hence no assurance of returns can be made for these investments. While the Portfolio Manager shall take all reasonable steps to invest the Funds in a prudent manner in such instruments, such decisions may not always prove to be profitable or correct. Consequently, the Client shall assume any loss arising from such decisions made by the Portfolio Manager.
- 9) Macro-Economic risks: Overall economic slowdown, unanticipated corporate performance, environmental or political problems, changes to monetary or fiscal policies, changes in government policies and regulations with regard to industry and exports may have direct or indirect impact on the investments, and consequently the growth of the Portfolio.
- 10) Liquidity Risk: Liquidity of investments in equity and equity related securities are often restricted by factors such as trading volumes, settlement periods and transfer procedures. If a particular security does not have a market at the time of sale, then the Portfolio may have to bear an impact depending on its exposure to that particular security. While Securities that are listed on a stock exchange generally carry a lower liquidity risk, the ability to sell these investments is limited by overall trading volume on the stock exchange. Money market securities, while fairly liquid, lack a well developed secondary market, which may restrict the selling ability of such securities thereby resulting in a loss to the Portfolio until such securities are finally sold. Even upon termination of the Agreement, the Client may receive illiquid securities and finding a buyer for such Securities may be difficult. Further, different segments of the Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. Delays or other problems in settlement of transactions could result in temporary periods when the assets of the plan are un-invested and no return is earned thereon. The inability of the Portfolio Manager to make intended Securities purchases, due to settlement problems, could cause the Portfolio to miss certain investment opportunities.

- 11) Credit Risk: Debt securities are subject to the risk of the issuer's inability to meet the principal and interest payments on the obligations and may also be subject to the price volatility due to such factors as interest sensitivity, market perception, or the credit worthiness of the issuer and general market risk.
- 12) Interest Rate Risk: Is associated with movements in interest rates, which depend on various factors such as government borrowing, inflation, economic performance etc. The value of investments will appreciate/ depreciate if the interest rates fall/rise. Fixed income investments are subject to the risk of interest rate fluctuations, which may accordingly increase or decrease the rate of return thereon. When interest rates decline, the value of a portfolio of fixed income securities can be expected to rise. Conversely, when interest rate rise, the value of a portfolio of fixed income securities can be expected to decline.
- 13) Acts of State, or sovereign action, acts of nature, acts of war, civil disturbance are extraneous factors which can impact the Portfolio.
- 14) The Client stands the risk of total loss of value of an asset which forms part of the Portfolio or its recovery only through an expensive legal process due to various factors which by way of illustration include default or non-performance of a third party, investee company's refusal to register a Security due to legal stay or otherwise, disputes raised by third parties.
- 15) Reinvestment Risk: This risk arises from the uncertainty in the rate at which cash flows from an investment may be reinvested. This is because the bond will pay coupons, which will have to be reinvested. The rate at which the coupons will be reinvested will depend upon prevailing market rates at the time the coupons are received.
- 16) Non-Diversification Risk: This risk arises when the Portfolio is not sufficiently diversified by investing in a wide variety of instruments. As mentioned above, the Portfolio Manager will attempt to maintain a diversified Portfolio in order to minimize this risk.
- 17) Mutual Fund Risk: This risk arises from investing in units of Mutual funds. Risk factors inherent to equities and debt securities are also applicable to investments in mutual fund units. Further, scheme specific risk factors of each such underlying scheme, including performance of their underlying stocks, derivatives instruments, stock lending, off-shore investments etc., will be applicable in the case of investments in mutual fund units. In addition, events like change in fund manager of the scheme, take over, mergers and other changes in status and constitution of mutual funds, foreclosure of schemes or plans, change in government policies could affect performance of the investment in mutual fund units.
- 18) Prospective clients should review / study the Disclosure Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters and are advised to consult their own professional advisor(s) as to the legal, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale or conversion into money) of Portfolio and to the treatment of income (if any), capitalization, capital gains, any distribution, and other tax consequences relevant to their Portfolio, acquisition, holding, capitalization, disposal (sale, transfer or conversion into money) of Portfolio within their jurisdiction of nationality, residence, incorporation, domicile etc. or under the laws of any jurisdiction to which they or any managed funds to be used to purchase/gift portfolio of securities are subject, and also to determine possible

- legal, tax, financial or other consequences of subscribing / gifting, purchasing or holding portfolio of securities before making an investment.
- 19) The Portfolio Manager is neither responsible nor liable for any losses resulting from the Services.
  - 20) Clients are not being offered any guarantee / assured returns.
  - 21) The investments under the Portfolio may be concentrated towards equity/equity related instruments of companies primarily belonging to a single or few sectors and hence shall be affected by risks associated with those sectors.
  - 22) The Clients may not be able to avail of securities transaction tax credit benefit and/or tax deduction at source (TDS) credit and this may result in an increased incidence of tax on the Clients. The Client may incur a higher rate of TDS/ Dividend Distribution Tax in case the investments are aggregated in the name of the Portfolio Management Portfolio/Product.
  - 23) The arrangement of pooling of funds from various Clients and investing them in Securities could be construed as an 'Association of Persons' (AOP) in India under the provisions of the Income-tax Act, 1961 and taxed accordingly.
  - 24) In case of investments in Mutual Fund units, the Client shall bear the recurring expenses of the Portfolio Management Services in addition to the expenses of the underlying mutual fund schemes. Hence, the Client may receive lower pre-tax returns compared to what he may receive had he invested directly in the underlying mutual fund schemes in the same proportions.
  - 25) After accepting the corpus for management, the Portfolio Manager may not get an opportunity to deploy the same or there may be delay in deployment. In such situation the Clients may suffer opportunity loss.
  - 26) Clients will not be permitted to withdraw the funds/Portfolio (unless in accordance with the terms agreed with the Client). In addition, they are not allowed to transfer any of the interests, rights or obligations with regard to the Portfolio except as may be provided in the Agreement and in the Regulations.
  - 27) In case of early termination of the Agreement, where Client Securities are reverted to the Client, additional rights available while the Securities were held as part of the Portfolio that were negotiated by the Portfolio Manager with an investee company or its shareholders may no longer be available to the Client.
  - 28) Changes in Applicable Law may impact the performance of the Portfolio.
  - 29) Risks pertaining to stock lending: In the case of stock lending, risks relate to the defaults from counterparties with regard to securities lent and the corporate benefits accruing thereon, inadequacy of the collateral and settlement risks.
  - 30) Risk arising out of non-diversification, if any.
  - 31) Specific Risk Disclosures associated with investments in Securitized Debt Instruments

- a) Presently, secondary market for such securitized papers is not very liquid. This could limit the ability of the portfolio manager to resell them. Even if sales were to take place, these secondary transactions may be at a discount to the initial issue price due to changes in the interest rate structure.
- b) Securitized transactions are normally backed by pool of receivables and credit enhancement as stipulated by the rating agency, which differ from issue to issue. Delinquencies and credit losses may cause depletion of the amount available under the Credit Enhancement and thereby the Investor Payouts may get affected if the amount available in the Credit Enhancement facility is not enough to cover the shortfall.

32) Specific risk and disclosures associated with investment in Structured Products like Index Linked Debentures

- The Structured Products like Index linked - Non-Convertible Debentures may lead to a portion of the funds being deployed in the derivatives markets including in the purchase of options. These investments are high risk, high return as they may be highly leveraged. A small movement in the underlying index could have a large impact on their value and may result in a loss.
- The Issuer of Equity index linked debentures or any of its Agents, from time to time may have long or short positions or make markets including in indices, futures and options. The value of these Debentures invested into on behalf of clients could be adversely impacted by a price movement in the above securities.
- The Structured Products, even after being listed, may not have a market at all;
- The returns on the Structured Products, including those linked to the may be lower than prevalent market interest rates or even zero or negative depending entirely on the movement in the underlying index and futures values as also that over the life of the Debentures. Consequently, the Debenture holder may receive no income/return at all or negative income/return on the Debentures or less income/return than the Debenture holder may have expected, or obtained by investing elsewhere or in similar investments.
- In the case of Equity Index Linked Debentures, in the event of any discretions need to be exercised, in relation to method and manner of any of the computations including due to any disruptions in any of the financial markets or for any other reason, the calculations cannot be made as per the method and manner originally stipulated or referred to or implied, such alternative methods or approach may be at the discretion of the by the issuer and may include the use of estimates and approximations.
- At any time during the life of such Structured Products, the value of the Debentures may be substantially less than its redemption value. Further, the price of the Debentures may go down in case the credit rating of the Issuer goes down;
- The return and/or maturity proceeds hereon may not be guaranteed or insured in any manner by The Issuer of Structured Products.

7) **Client Representation:**

The Portfolio Management Services performances as on 30<sup>th</sup> September 2019 and 31<sup>st</sup> March 2019 are as follows:

a) **Details of client's accounts active:  
As on 30th September 2019**

Sr. No.	Category of clients	No. of clients	Funds managed (amt in Rs. Lakhs)	Discretionary/ Non-Discretionary (if available)
i)	<b>Associates/group companies</b>			
	- Individual			
	Growth Strategy	8	633.09	Discretionary
	Special Situation	5	337.80	Discretionary
	- Corporate			
	Growth Strategy	2	104.23	Discretionary
	Special Situation	1	52.95	Discretionary
	<b>Subtotal (i)</b>	<b>16</b>	<b>1128.07</b>	
ii)	<b>Others:</b>			
	- Individual			
	Growth Strategy	92	3,534.54	Discretionary
	Special Situation	22	244.47	Discretionary
	- Corporate			
	Growth Strategy	1	38.60	Discretionary
	Special Situation	1	44.63	Discretionary
	<b>Subtotal (ii)</b>	<b>116</b>	<b>3862.24</b>	
	<b>TOTAL (i) + (ii)</b>	<b>132</b>	<b>4990.31</b>	

**As on 31<sup>st</sup> March, 2019**

Sr. No.	Category of clients	No. of clients	Funds managed (amt in Rs. Lakhs)	Discretionary/ Non-Discretionary (if available)
i)	<b>Associates/group companies</b>			
	- Individual			
	Growth Strategy	5	4.37	Discretionary
	Special Situation	3	1.38	Discretionary
	- Corporate			
	Growth Strategy	1	0.44	Discretionary
	Special Situation	1	0.16	Discretionary
	<b>Subtotal (i)</b>	<b>10</b>	<b>6.35</b>	-
ii)	<b>Others:</b>			
	- Individual			
	Growth Strategy	51	23.30	Discretionary
	Special Situation	11	1.96	Discretionary
	- Corporate	N.A.	N.A.	N.A.
	Growth Strategy	0	0	
	Special Situation	0	0	
	<b>Subtotal (ii)</b>	<b>62</b>	<b>25.27</b>	-
	<b>TOTAL (i) + (ii)</b>	<b>72</b>	<b>31.62</b>	-



b) **Complete Disclosure in respect of transactions with related parties as per the Accounting standards specified by the Institute of Chartered Accountants of India:**

There have been no transactions with related parties as per the Accounting Standards specified by the Institute of Chartered Accountants of India.

8) **The financial Performance of Portfolio Manager**

8.1 Capital Structure (Rs. in lakhs)

Particulars	As on 31-Mar-2018	As on 31-Mar-2019 (Audited)	As on 30-September 2019 (Unaudited)
a) Paid-up capital	N.A.	250	250
b) Free reserves (excluding re-valuation reserves)	N.A.	N.A.	N.A.
c) Total (a) + (b)	N.A.	250	250

8.2 Deployment of Resources (Rs. in lakhs)

Particulars	As on 31-Mar-2018	As on 31-Mar-2019 (Audited)	As on 30-Sept-2019 (Unaudited)
(a) Fixed Assets	N.A.	1.51	1.36
(b) Plant & Machinery & Office Equipment's	N.A.	5.03	4.55
(c) Investments	N.A.	217.84	209.19
(d) Others	N.A.	10.72	29.14
<b>Total</b>	<b>N.A.</b>	<b>235.10</b>	<b>244.24</b>

8.3 Major Sources of Income: (Rs. in lakhs)

Particulars	As on 31-Mar-2018	As on 31-Mar-2019 (Audited)	As on 30-Sept-2019 (Unaudited)
• Income	N.A.	9.22	34.46
• Other Income	N.A.	8.84	3.91
<b>Total</b>	<b>N.A.</b>	<b>18.06</b>	<b>38.37</b>

8.4 Net Profit (Rs. In lakhs)

Particulars	As on 31-Mar-2018	As on 31-Mar-2019 (Audited)	As on 30-Sept-2019 (Unaudited)
Loss before Tax	N.A.	(12.90)	(7.68)
Loss after Tax	N.A.	(12.90)	(7.68)

9) **Performance of the Portfolio Manager for the last 3 years:**

Particulars	Half Year Ended SEPT 2019	Year Ended (2018-2019)	Year Ended (2017-2018)
Portfolio Performance (%), Net of all fees and Charges levied by the Portfolio Manager			
- Growth Strategy	(6.00%)	10.53%	N.A.
- Special Situations Strategy	(20.23%)	8.9%	
Benchmark Performance			
- NIFTY 500 (%)	(3.34%)	10.1%	N.A.

**10) Fees and Services Charged (To be based on actuals):**

- Investment Management Fee** i.e. Fixed Fees charged as agreed with the client vide terms and conditions mentioned in the agreement relating to the Portfolio Management Services offered to the Clients.
- Performance Management Fee** i.e. A performance fees based on profit slabs provided in the portfolio agreement is charged as agreed with the client vide terms and conditions mentioned in the agreement. Performance fees will be charged on the performance over the hurdle rate, management fee and any costs of trading. It shall be computed on the basis of high water mark principle over the life of the investment for charging of performance/profit sharing fees.

**High Water Mark Principle:** High Water Mark shall be the highest value that the portfolio/account has reached. Value of the portfolio for computation of high watermark shall be taken to be the value on the date when performance fees are charged. For the purpose of charging a performance fee, the frequency shall not be less than quarterly.

The portfolio manager shall charge a performance-based fee only on the increase in portfolio value in excess of the previously achieved high water mark.

- The fees charged to the client for PMS Service comes under "Fees for technical services" under Sec 194J of the Income Tax Act 1961. This section calls for withholding tax on the fees that the client pays to the portfolio manager if he or she falls under
  - An Individual / HUF whose total sales / gross receipt or turnover from business or profession carried on by him exceed the monetary limit specified under clause (a) or clause (b) of Sec. 44AB during the previous year immediately preceding the financial year.
  - Corporates.
- Custodian fee / Depository Charges & Fund Accounting Charges:** Charges relating to custody and transfer of shares, bonds and units, opening and operation of demat account, dematerialization and dematerialization, and / or any other charges in respect of the investment etc. The actual fees levied by the custodian for custody, demat charges and fund accounting shall be charged to the client as mentioned in the agreement with the client and as agreed between the Portfolio Manager and the Custodian from time to time.
- Registration and transfer agents' fees:**

- Fees payable for the Registrars and Transfer Agents in connection with effecting transfer of any or all of the securities and bonds including stamp duty, cost of affidavits, notary charges, postage stamps and courier charges.
6. **Brokerage, transaction costs and other services:**  
The brokerage and other charges like stamp duty, transaction cost and statutory levies such as GST, securities transaction tax, turnover fees and such other levies as may be imposed upon from time to time.
  7. **Fees and charges in respect of investment in mutual funds:**  
Mutual Funds shall be recovering expenses or management fees and other incidental expenses and such fees and charges shall be paid to the Asset Management Company of the Mutual Funds on behalf of the Client. Such fees and charges are in addition to the portfolio Management fees described above.
  8. **Certification charges or professional charges:**  
The charges payable to professional services like accounting, taxation, certification and any other legal services, etc.
  9. **Securities lending and borrowing charges:**  
The charges pertaining to the lending of securities, costs of borrowings and costs associated with transfer of securities connected with the lending and borrowing transfer operations.
  10. **Any incidental and ancillary out of pocket expenses:**  
All incidental and ancillary expenses not recovered above but incurred by the Portfolio Manager on behalf of the client shall be charged to the Client.
  11. The portfolio manager shall deduct directly from the cash account of the client all the fees/costs specified above. Other expenses, which could be attributable to the Portfolio Management, would also be directly deducted and the client would be sent a statement about the same.
  12. The fee so charged may be a fixed fee or performance based fee or a combination of both as agreed in the agreement.

#### **11) Taxation:**

The following information is based on the law in force in India at the date hereof. This information is neither a complete disclosure of every material fact of the Income-tax Act, 1961 nor does constitute tax or legal advice. This information is based on the Portfolio Manager's understanding of the Tax Laws as of this date of Disclosure Document. Investors/clients should be aware that the fiscal rules/ tax laws may change and there can be no guarantee that the current tax position may continue indefinitely. In view of the individual nature of the tax consequences, each investor/client is advised to consult his/ her/its own professional tax advisor. The information/data herein alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy and should not be construed as investment advice.

Income on Investment in Securities is subject to tax in the following manner

##### **a) Dividend**

Dividends declared, distributed or paid on or after April 1, 2003 by domestic companies will be exempt in the hands of the shareholder recipient but tax on distributed profits at

applicable rates will be payable by the domestic company. However, as per Finance Act 2016, sanctioned by the parliament, from Assessment year 2017-18 in addition to DDT paid by the companies, tax at the rate of 10% of gross amount of dividend will be payable by the recipients i.e. shareholders being individuals, HUFs and firms receiving dividend in excess of Rs 10 lakh per annum.

- b) Interests on Investment are taxable except in certain cases where it is exempted from tax under Income Tax Act 1961.
- c) In case the securities are sold within one year (for listed securities except for units other than units of equity oriented mutual funds) or within two years (for unlisted securities) from the date of purchase, the resultant gains or losses are termed as short term capital gains or losses. Short term gains arising out of transfer of equity shares if the securities are sold on a recognized stock exchange in India and on which securities transaction tax has been paid are taxed at a concessional rate of 15% (as increased by surcharge plus education cess), in other cases they would be taxed at the slab rate applicable to the respective PMS client type.

In case the securities are sold after one year (for listed securities) or two years (for unlisted securities) and three years for units other than units of equity oriented mutual funds from the date of purchase, the resultant gains or losses are termed as long term capital gains or losses and the gain is arising out of transfer of equity shares which are sold on a recognized stock exchange in India and on which securities transaction tax has been paid would be taxed at 10% (as increased by surcharge plus education cess) in case of listed securities and 20% (as increased by surcharge plus education cess) in case of unlisted securities and units other than units of equity oriented mutual funds. From A.Y. 2019-20, Long Term capital gain (where STT is paid) in excess of Rs. 1 Lakh will be chargeable at the rate of 10% and on the balance amount of the total income, tax will be computed as if it were the total income of the assessee.

Note: "Listed Securities" as defined under the explanation to section 112(1) of Income Tax Act, means the securities as defined in clause 2(h) of Securities Contract (Regulations) Act, 1956 and listed on any recognized stock exchange in India.

"Unlisted Securities" means securities other than listed securities.

"Units" shall have the meaning assigned to it in clause (b) of explanation to section 115AB of Income Tax Act, 1961.

The following are the tax provisions presently applicable to clients investing in the Portfolio Management Products under the Income Tax Act, 1961.

**Tax on Long Term Capital Gain:**

If the capital asset, which is transferred, is equity share or units of equity oriented mutual funds and transaction is subject to Securities Transaction Tax, the Long Term Capital Gain in excess of Rs. 1 Lakh is chargeable to tax @ 10%. In other cases, tax will be calculated as follows:

Capital Asset	If it is not subject to Securities Transaction Tax		
	Long Term		Short Term
	Without Indexation	With Indexation	
1. Debenture Listed	10 %	Not Applicable	Normal

2. Deventure Non Listed	20 %	Not Applicable	Normal
3. Government Securities	10 %	20 %	Normal
4. Bonds Listed	10%	Not Applicable	Normal
5. Bonds Non Listed	20%	Not Applicable	Normal

**TDS**

If any tax is required to be withheld on account of any future legislation, the portfolio manager shall be obliged to act in accordance with the regulatory requirements in this regard. Interest would be subject to tax as per prevailing provisions of the Income Tax Act, 1961.

**Advance Tax Obligations**

It shall be the client's responsibility to meet the advance tax obligations payable on the due dates as per the Income Tax Act, 1961.

Provisions of Income Tax Act 1961, undergoes change frequently and is also based on the status of the client, thus the client is advised to consult his/her tax consultant for appropriate advice on tax treatment of income indicated herein.

The fees charged to the client for PMS come under the ambit of "fees for technical services" under Section 194J of the Income Tax Act, 1961("the Act"). As the section calls for withholding tax, the client is required to withhold tax @ 10 % excluding Goods & Service Tax, on the fees that the client pays to the Portfolio Manager, if he / she fall under the following two categories:

a) An Individual / HUF whose total sales / gross receipt or turnover from business or profession carried on by him exceed the monetary limit specified under clause (a) or clause (b) of Sec. 44AB during the previous year immediately preceding the financial year

**b) Corporate**

This implies, the Client (as mentioned in point 'a' and 'b' above) while making payment of the fees would deduct tax at Source. The taxes payable on any transactions entered into or undertaken by the Portfolio Manager on behalf of the client, whether by way of deduction withholding, payment or other, shall be fully borne by the client. Payment of the tax shall be the personal responsibility and liability of the client. In case the client deducts and pay the withholding tax, the client shall provide Tax Deduction Certificate in Form No. 16A as prescribed under the Income Tax Rules, 1962 to the Portfolio Manager within 30 days from the date of filing return or due date of filing TDS Return for the quarter whichever is earlier. The Portfolio Manager is not by law, contract or otherwise required to discharge any obligation on behalf of the client to pay any taxes payable by the clients.

**12) Accounting Policies:****1. Basis of accounting**

- a. Books and Records for each product is separately maintained in the Back-office software (with Fund Accountant) in the name of the client to account for the assets and any additions, income, receipts and disbursements in connection therewith, as provided by the SEBI (Portfolio Management) Regulations, 1993, and SEBI (Investment Advisers) Regulations, 2013 as amended from time to time.

- b. Accounting under the respective portfolios is done in accordance with Generally Accepted Accounting Principles except with Point (a) of Income/Expenses.
- c. Trades will be accounted on trade date (T) accounting basis. Sale of security can be from only settled stock.
- d. The cost of acquisition in case of listed securities which are introduced as part of the corpus would be accounted at the previous day's closing price on NSE/BSE.
- e. Investments acquired or sold by the Portfolio Manager shall include brokerage, Stamp duty, Securities Transaction Tax ('STT') and any other charge customarily shall not be included in the cost of investments and shall be debited to the client's Income & Expenditure Account
- f. Bonus shares/units to which the Client becomes entitled shall be recognized only when the original shares/units on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
- g. Rights entitlement shall be recognized only when the original shares on which the rights entitlement accrues are traded on the stock exchange on an ex-rights basis.
- h. Other Corporate Action entitlement shall be calculated and accounted based on the end of the day ('EOD') position prevailing before the ex-date. For other investments, which are not quoted on NSE or BSE, dividend income shall be recognized on the date of receipt.
- i. In respect of all interest-bearing investments, income shall be accrued on a day-to-day basis as it is earned. Therefore, when such investments are purchased, interest earned for the period from the last interest due date up to the date of purchase shall not be treated as a cost of purchase but shall be debited to Interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale shall not be treated as an addition to sale value but shall be credited to Interest Recoverable Account.
- j. In determining the holding cost of investments and the gains or loss on sale of investments, the First-in-First-out ('FIFO') method shall be followed.
- k. Whenever Client specific unit allocation will be provided by the fund Manager (PMS), the same will be used on that day for deal allocation.
- l. Transactions for purchase or sale of investments shall be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year is recorded and reflected in the financial statements for that year.
- m. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction would be recorded, in the event of a purchase, as of the date on which the portfolio obtains its enforceable obligation to pay the price or, in the event of a sale, when the portfolio obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the securities sold.

- n. Management fees if applicable would be booked as per the frequency and data provided by client/fund manager.
- o. Performance fees if applicable would be booked as per the frequency and data provided by client/fund manager.
- p. All other expenses payable by the client shall be accrued as per the frequency and data provided by client/Investment manager.
- q. Financial year end will be followed as 31st March.
- r. The Portfolio Manager can adopt any specific norms or methodology for valuation of investments or accounting the same on a case specific basis.

## 2. Valuation Policy

The detailed valuation policy for each asset type is listed below: -

### I Equity Shares

#### **I.1 Listed / Traded Securities:**

Any security which has been traded on any specified stock exchange and has a combined trade value of more than Rs 5,00,000 or has a combined trade volume of more than 50,000 scrips during a period of thirty days is considered as traded security.

Traded securities shall be valued at the day's closing price of National stock exchange (Principal). When on a particular day a security has not been traded on National stock exchange the closing price on BSE shall be used for valuation. When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on National Stock Exchange or Bombay Stock Exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to the valuation date. In such cases confirmation is needed from the client for further pricing.

#### **I.2 Un-Listed / Thinly Traded Securities:**

Any security which does not have trading volume of 50,000 scrips' and trading amount of Rs. 5,00,000/- during a period of thirty days shall be categorized as thinly traded. Thinly traded / unlisted securities shall be valued in good faith on the basis of fair valuation principles.

For Futures and Options, the rule relating to non-traded / thinly traded does not apply.

Unlisted Securities/investments will be valued at cost till the same are priced at Fair Market Value. Such fair value may be determined by an agency appointed by the Portfolio Manager, on periodic basis (at least half yearly).

In case of IPO the IPO's allotted would be valued at the IPO allotment price till they are listed.

Private equity/pre-IPO placements will be valued at cost or at the last deal price available at which company has placed shares to other investors.

### **1.3 Un-Listed / Thinly Traded Securities by way of Corporate Action:**

In case the security is not traded on any exchange, in the exceptional circumstances such as, merger and acquisitions and interim period, re-structuring of the company and the interim period of non-trading, and similar other exceptional circumstances, it shall be valued 'in-good faith' by the PORTFOLIO MANAGER on the basis of appropriate valuation methods.

### **1.4 Rights Offer:**

Until the rights shares are traded, each rights share shall be valued as Ex- Rights price minus Rights Offer price. In case the Offer price is higher than the Ex- Rights price, rights share shall be valued at 'Nil'.

Until they are traded, the value of "rights" shares shall be calculated as:

$$\text{Value of rights} = \text{Market closing price of underlying security} - \text{Allotment price}$$

If the Rights gets traded, then the traded price will be considered for valuation. Once traded price has been considered and the rights does not trade subsequently, the rights will continue to be valued at the last traded price (not more than 30 days).

The above valuation prices to be used till the date of allotment. From the date of allotment, the security shall be valued at exchange closing price.

### **1.5 Buy Back of the Securities**

If a company offers to buy back hundred percent of the shares tendered, then shares will be valued at the price of buy back and ignoring the market price. Else, market price of the security will be considered for valuation till formal confirmation of acceptance of shares tendered under the buy-back scheme. Quantum of shares accepted under buy back will be accounted as a sale trade.

### **1.6 ADR/GDR**

ADR and GDR will be valued based on the closing price in the principal stock exchange.

### **1.7 Warrants**

Non Traded Warrants shall be valued at cost till it gets traded.

Traded Warrants (fulfilling the traded security criteria) shall be valued based on the closing price.

In case, the amount payable on exercise of the warrants is higher than the value of the share, the value of the warrants is to be taken as zero.

$$\text{Value of Warrant} = [\text{Value of share on exercise of warrant} - \text{exercise price}]$$



### **I.8 Preference Shares**

Traded preference shares shall be valued in the same manner as traded equity shares. Non-traded preference shares (i.e. not traded for 30 days) or unlisted preference shares to be valued at cost.

### **II Futures & Options**

Market values of traded open future/option contracts shall be determined with respect to the exchange on which it is contracted originally, i.e., a future/option contracted on the National Stock Exchange (NSE) would be valued at the Settlement price of future and the Closing price for option on the NSE. In such a case, the price of the same future/option series on the Bombay Stock Exchange (BSE) cannot be considered for the purpose of valuation.

### **III Debt & Money Market Instruments**

Valuation for all debt instruments will be done as per the prices sent by ICRA.

If the same is not available with the agencies, then the valuation will be done as per the terms agreed with KOTAK

Equity Linked Bonds will be valued at cost.

### **IV Investments in Mutual Fund Units**

1. All investments in Mutual Fund Schemes shall be identified Plan wise.
2. Every Mutual Fund declares NAV of all its schemes for the plans/options under that schemes separately.
3. Every Mutual Fund declares NAV on daily basis. This NAV is declared at 8.00 pm every day. It is therefore imperative that, the NAV adopted for the purpose of valuation would be the NAV as available on the immediately previous day to summarize the valuation of Mutual Fund Units would be on the T-1 day, i.e. NAV of the immediately preceding NAV date.

### **V. REITS/ REAL ESTATE INVESTMENTS:**

Valuation will be done as per PORTFOLIO MANAGER's Discretion.

3. Books of accounts would be separately maintained in the name of the client as are necessary to account for the assets and any additions, income, receipts and disbursements in connection therewith as provided under SEBI (Portfolio Managers) Regulations, 1993.
4. Audit
  - a. The Portfolio accounts of the Portfolio Manager shall be audited annually by an independent chartered accountant and a copy of the certificate issued by the chartered accountant shall be given to the client.

- b. The client may appoint a chartered accountant to audit the books and accounts of the Portfolio Manager relating to his transactions and the Portfolio Manager shall co-operate with such chartered accountant in course of the audit.

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

### **13) Agreement:**

1. The Portfolio Manager before taking up an assignment of management of funds or portfolio of securities on behalf of the client, enters into an agreement in writing with such client clearly defining the inter se relationship and setting out their mutual rights liabilities and obligations relating to the management of funds or portfolio of securities, containing such details as per the regulations.
2. The money or securities accepted by the portfolio Manager shall not be invested or managed by the Portfolio Manager except as mentioned in terms of the agreement between the Portfolio Manager and the client.
3. The Portfolio Manager shall not change any terms of the agreement without prior written consent of the client.
4. Generally, The term of the PMS Agreement shall initially be for a period of one year from the Activation Date ("Term") or longer if agreed mutually and, unless terminated by either Party in accordance with the terms of the PMS Agreement, shall be deemed to be automatically renewed from the next day of date of expiry of the Term on the such terms and conditions as may be mutually agreed upon by the Parties in writing, till any further communication by either of the party to terminate the same. The Client shall be entitled to terminate the PMS Agreement before the expiry of the term according with the terms / clauses specified in the said agreement.

### **14) Termination of Agreement:**

1. Notwithstanding anything contained above, the funds or securities can be withdrawn or taken back by the client before maturity of the contract under the following circumstances, namely-
  - a. Voluntary or compulsory termination of portfolio management services by the Portfolio Manager or the client.
  - b. Suspension or cancellation of the certificate of registration of the Portfolio manager by the Board.
  - c. Bankruptcy or liquidation of the Portfolio Manager.
2. There shall be written intimation about such termination by the terminating party.
3. On termination of the agreement, the Portfolio Manager shall give a detailed statement of accounts to the client and settle the account with the client as agreed in the agreement.

### **15) Disclaimer by Portfolio Manager:**

Prospective investors should review / study this Disclosure Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice

Prospective investors should review / study this Disclosure Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters and are advised to consult their own professional advisor(s) as to the legal, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale or conversion into money) of Portfolio and to the treatment of income (if any), capitalization, capital gains, any distribution, and other tax consequences relevant to their portfolio, acquisition, holding, capitalization, disposal (sale, transfer or conversion into money) of portfolio within their jurisdiction of nationality, residence, incorporation, domicile etc. or under the laws of any jurisdiction to which they or any managed funds to be used to purchase/gift portfolio of securities are subject, and also to determine possible legal, tax, financial or other consequences of subscribing / gifting, purchasing or holding portfolio of securities before making an investment.

#### 16) Investor Services:

(i) The details of investor relation officer who shall attend to the investor queries and complaints are mentioned here below:

Name of the person	<b>Mr. Rajesh Shah</b>
Designation	Compliance Officer
Address	203-A, Gitanjali Arcade, 2nd Floor, Above SVC Bank & INDIAN Bank, Nehru Road, Vile Parle (E), Mumbai – 400057.
Email	<a href="mailto:rajesh@capgrowcapital.com">rajesh@capgrowcapital.com</a>
Investor Grievance Email ID	<a href="mailto:grievance@capgrowcapital.com">grievance@capgrowcapital.com</a>
Telephone	+91-9930131490

The official mentioned above will ensure prompt investor services. The portfolio manager will ensure that this official is vested with the necessary authority, independence and the means to handle investor complaints.

#### (ii) **Grievances redressal and Dispute settlement mechanism.**

Grievances, if any, that may arise pursuant to the Portfolio Management Services Agreement entered into shall as far as possible be redressed through the administrative mechanism by the Portfolio Manager and are subject to SEBI (Portfolio Managers) Regulations 1993 and any amendments made thereto from time to time. However, all the legal actions and proceedings are subject to the jurisdiction of court in Mumbai only and are governed by Indian laws.

The Portfolio Manager will endeavor to address all complaints regarding service deficiencies or causes for grievance, for whatever reason, in a reasonable manner and time. If the Investor remains dissatisfied with the remedies offered or the stand taken by the Portfolio Manager, the investor and the Portfolio Manager shall abide by the following mechanisms: -

All disputes, differences, claims and questions whatsoever arising between the Client and the Portfolio Manager and/or their respective representatives shall be settled in accordance with the provision of The Arbitration and Conciliation Act, 1996 or any statutory requirement, modification or re-enactment thereof for the time being in force. Such arbitration proceedings shall be held at Mumbai or such other place as the Portfolio Manager thinks fit.

Alternatively, with effect from September 2011, SEBI has launched a new web based centralized grievance system called SCORES i.e. SEBI Complaints Redressal System, for online filing, forwarding and tracking of resolution of investor complaints. The Client may also make use of the

SCORES facility for any escalations on redressal of their grievances. Following is the link to visit the website and inform their dispute/complaints against the company.

<https://scores.gov.in/scores/complaintRegister.html>

SEBI vide press release PR No. 80/2012 dated 30th August' 2012 has extended its toll free helpline service for Investors (1800 22 7575 / 1800 266 7575) to Saturday and Sunday from the existing Monday to Friday. The service on Saturday and Sunday would be available initially to investors from all over India in English, Hindi, Marathi and Gujarati from 9:30 a.m. to 5:30 p.m. For any queries/ feedback or assistance, the Client may also e-mail to [sebi@sebi.gov.in](mailto:sebi@sebi.gov.in).

**Arbitration:**

The agreement with the client shall be governed by construed and enforced in accordance with the laws of India. Any dispute with the client shall at first be settled by mutual discussion, failing which the same will be referred to and settled by arbitration in accordance subject to the provisions of the Arbitration and Conciliation Act, 1996 or any statutory modification / enactment thereof for the time being in force. A sole arbitrator will be appointed by mutual consent of the portfolio manager and the client. The arbitration shall be held in Mumbai and be conducted in English language. Any action or suit involving the agreement with a client or the performance of the agreement by the either party of its obligations will be exclusively in courts located at any place in India subject to the jurisdiction clause in the portfolio agreement.

**17) Anti-Money Laundering Compliances:**

The Government of India has put a policy framework to combat money laundering through the Prevention of Money Laundering Act, 2002 (PMLA 2002). PMLA 2002 and the Rules notified there under (PMLA Rules) came into effect from July 1, 2005. Director, FIU-IND and Director (Enforcement) have been conferred with exclusive and concurrent powers under relevant sections of the Act to implement the provisions of the Act. Consequently, SEBI has mandated that all registered intermediaries to formulate and implement a comprehensive policy framework on anti-money laundering and adopt 'Know Your Customer' (KYC) norms.

Further, SEBI vide Circular No. SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated July 04, 2018 (which supersedes all the earlier circular) issued a '**Master Circular for Guidelines on Anti Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules frame thereunder**' consolidating all the requirements/instructions/obligations of Securities Market Intermediaries.

Accordingly, the investors should ensure that the amount invested by them is through legitimate sources only and does not involve and are not designed for the purpose of any contravention or evasion of any Act, Rules, Regulations, Notifications or Directions of the provisions of Income Tax Act, Prevention of Money Laundering Act, Anti-Corruption Act and or any other applicable laws enacted by the Government of India from time to time. The Portfolio Manager is committed to complying with all applicable anti money laundering laws and regulations in all of its operations. Accordingly, the Portfolio Manager reserves the right to reject or refund or freeze the account of the client if the client doesn't comply with the internal policies of the Portfolio Manager or any of the Applicable Laws including the KYC requirements.

The Portfolio Manager shall not be held liable in any manner for any claims arising whatsoever on account of freezing the account / rejection or refund of the application etc. due to non-compliance with the provisions of any of the aforesaid Regulations or Applicable Laws.

Investors are requested to note that KYC is mandatory for all investors. SEBI vide circular no. MIRSD/SE/Cir-21/2011 dated October 5, 2011 and CIR/MIRSD/ 11/2012 dated September 5, 2012 has mandated that the uniform KYC form and supporting documents shall be used by all SEBI registered intermediaries in respect of all new clients from January 1, 2012. Further, SEBI vide circular no. MIRSD/Cir-23/2011 dated December 2, 2011, has developed a mechanism for centralization of the KYC records in the securities market to bring about uniformity in securities markets.

Accordingly, KYC registration is being centralized through KYC Registration Agencies (KRA) registered with SEBI. Thus each investor has to undergo a uniform KYC process only once in the securities market and the details would be shared with other intermediaries by the KRA. Applications shall be liable to be rejected if the investors do not comply with the aforesaid KYC requirements.

As per the 2015 amendment to PML (Maintenance of Records) Rules, 2005 (the rules), every reporting entity shall capture the KYC information for sharing with the Central KYC Records Registry in the manner mentioned in the Rules, as per the KYC template for 'Individuals' finalized by CERSAI. Accordingly, the KYC template finalized by CERSAI shall be used by the registered intermediaries as Part I of AOF for individuals.

**18) List of Approved Share Brokers involved for Portfolio Management activities:**

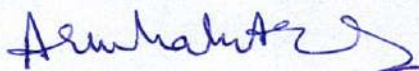
Sr. No.	Name	SEBI Registration No
1	Kim-Eng Securities India Pvt. Ltd	INZ000010538
2	IIFL Wealth Mgmt. Ltd	INZ000011437
3	Emkay Global Financial Services Ltd	INZ000203933
4	IDFC Securities Ltd.	INZ000011437
5	Edelweiss Broking Ltd.	INZ000005231
6	Keynote Capitals Limited	INZ000241530

**19) General:**

The portfolio manager and the client can mutually agree to be bound by specific terms through a written two-way agreement between themselves in addition to the standard agreement.

The Portfolio Manager has outsourced Fund accounting and Custodian activity to Kotak Mahindra Bank Ltd. The necessary agreements with Kotak Mahindra Bank are in place.

**For CapGrow Capital Advisors LLP**



Mr. Arun Malhotra  
Designated Partner  
Place: Mumbai  
Date: 24/10/2019




Mr. Rajesh Shah  
Designated Partner

**FORM C****SECURITIES AND EXCHANGE BOARD OF INDIA (PORTFOLIO MANAGERS) REGULATIONS, 1993  
(Regulation 14)**

We confirm that:

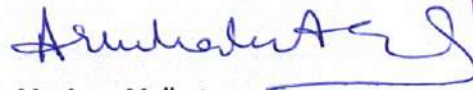
The Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 1993 and the guidelines and directives issued by the Board from time to time;

The disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us/investment in the Portfolio Management;

The Disclosure Document has been duly certified by an independent Chartered Accountant M/s. B Y & Associates, Chartered Accountants, 8A-2, Chander Mukhi Building, 8<sup>th</sup> Floor, Opposite Nirmal Building, Nariman Point, Mumbai 400 021, Phone No. 022- 40172000, firm registration number 123423W on 24/10/2019.

Date:24/10/19  
Place: Mumbai

Signature of the Principal Officer



Mr. Arun Malhotra  
203-A, Gitanjali Arcade, 2nd Floor,  
Above SVC & INDIAN Bank,  
Nehru Road, Vile Parle (E),  
Mumbai – 400057.

