

**JHP SECURITIES PVT. LTD.**

**PORTFOLIO MANAGEMENT SERVICES**

**DISCLOSURE DOCUMENT**

**JHP Securities Pvt. Ltd.**

***Key Information***

- This Disclosure 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 14 of SEBI (Portfolio Managers) Regulations, 1993.
- The purpose of the Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decisions for engaging JHP Securities Pvt. Ltd. as a Portfolio Manager.
- This disclosure document sets forth concisely the necessary information about JHP Securities Pvt. Ltd. (JHP) that is required by a prospective investor before investing.
- The investor should carefully read the entire disclosure document prior to making a decision to avail of the Portfolio Management Services and should retain this Disclosure document for future reference.
- The Disclosure Document is dated 1<sup>st</sup> November, 2019

**Principal Officer**

**Mr. Vishal Patel**

B-201, Dev Neo Vikram,  
Sahakar Nagar, New Link Road,  
Andheri - West  
Mumbai – 400 053.  
Tel no. 91-22-40824242  
Email: vishalp@jhpsecurities.com

**PORTFOLIO MANAGER**

**JHP Securities Pvt. Ltd.**

**Principal Place of Business & Regd Office:**

B-201, Dev Neo Vikram,  
Sahakar Nagar, New Link Road,  
Andheri - West  
Mumbai – 400 053.  
Tel no. 91-22-40824242

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**1. Disclaimer Clause**

This Disclosure Document has been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations 1993 as amended till date 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 this Document.

## 2. Definitions

In this disclosure document, the following words and expressions shall have the meanings specified herein, unless the context otherwise requires:

Act	The Securities and Exchange Board of India Act, 1992 (15 of 1992)
AUM	Asset Under Management
Board	The Securities and Exchange Board of India
Client or Investor	Any person who registers with the Portfolio Manager for availing the services of portfolio management.
Depository Account	Any account of the client with an entity registered as a Depository Participant as per the relevant regulations
Discretionary Portfolio Management Services	Discretionary Portfolio Management Services” means Portfolio Management Services provided by the Portfolio Manager exercising any degree of discretion as to investments, or management of the Portfolio of the securities or the funds of clients, as the case may be, as per the Agreement relating to portfolio management and to ensure that all benefits accrue to the Client's Portfolio, for an agreed fee structure, and for a definite period as described, entirely at the Client's risk.
Disclosure Document	This document issued by JHP Securities Pvt. Ltd. for offering Portfolio management services, prepared in terms of Regulations 14 of SEBI (Portfolio Managers) Regulations, 1993.
Financial year	The year starting from April 1 and ending on March 31 of the following year.
Funds	The money placed by the Client with the Portfolio Manager and any accretions thereto.
Funds Managed	The market value of the Portfolio of the Client as on date.
Initial Corpus	The value of the funds and the market value of readily realizable investments brought in by the client at the time of registering as a client with the Portfolio Manager and accepted by the Portfolio Manager.
Investment Amount	The money or securities accepted by the Portfolio Manager from the Client in respect of which the portfolio management services are to be rendered by the Portfolio Manager.
Non-discretionary Portfolio Management Services	Non-discretionary Portfolio Management Services” means a Portfolio Management Services under which the Portfolio Manager, subject to express prior instructions issued by the Client from time to time in writing, for an agreed fee structure, and for a definite period as described period, invests in respect of the Client's account in any type of security entirely at the Client's risk and to ensure that all benefits accrue to the Client's Portfolio.
NRI	Non-Resident Indian
Portfolio	Portfolio means the total holdings of securities belonging to any person / investor. Any of the current investment Portfolios or such Portfolios that may be introduced at any time in future by the Portfolio Manager

Portfolio Manager or Company	JHP Securities Pvt. Ltd. incorporated under the Companies Act, 2013, and registered with SEBI to act as a Portfolio Manager in terms of SEBI (Portfolio Managers) Regulations, 1993 vide Registration No. INP000004953 dated 26/11/2018
RBI	Reserve Bank of India, established under the Reserve Bank of India Act, 1934, as amended from time to time.
Regulations	The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993.
Rules	The Securities and Exchange Board of India (Portfolio Managers) Rules, 1993.
SEBI	Securities and Exchange Board of India (Portfolio Managers) Rules and Regulations, 1993 as amended from time to time.
The Agreement	The agreement executed between the Portfolio Manager and its clients in terms of Regulation 14 of SEBI (Portfolio Managers) Regulations, 1993 and SEBI (Portfolio Managers) Amendment Regulations, 2002 issued by the Securities and Exchange Board of India.

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.

### 3. Description

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

JHP Securities (P) Limited is one of the largest and most respected stock-broking firms on The Stock Exchange, Mumbai as well as the National Stock Exchange. We are a stock broking firm launched with the objective to provide broking and investment services of the highest caliber, incorporating the pristine values of trust, integrity and commitment. We constantly endeavor to provide our customers with high quality services for Equity & Derivatives Trading, Commodities Trading, Depository Services and Franchising through BOLT / NEAT / CTCL expansion.

- M/s. J. H. Patel a member of Bombay Stock Exchange from the year 1984. It was started by Mr. Jayantilal Harjivandas Patel, first generation entrepreneur. Patel family has a rich experience of more than 54 years in business and trading.
- Membership of M/s. J.H. Patel was corporatized in the year 1997 and JHP Securities Pvt. Ltd. commenced its broking operations.
- Over the last 27 years, JHP Securities (P) Limited has built a formidable reputation of being a completely client oriented Broking Firm, where the client's interest is of paramount consideration and matters most, above all else.
- Mr. Vishal Patel, Director of the Company and Principal Officer for PMS Division returned from USA with qualification of BS in Business Management and MS in Finance and joined the company in the year 2004. He constantly strives to combine expertise and foresight for management, operation and administrative activities.
- A membership of The National Stock Exchange of India has been acquired in calendar 2005.
- A membership of MSEIL (formerly known as MCX – SX) has been acquired in calendar 2008
- JHP Commodities Pvt. Ltd., an associate concern, has acquired membership on the commodities exchange NCDEX in calendar 2004 and MCX in calendar 2005.
- In September 2006, company acquired membership of CDSL
- JHP Securities has more than 6 years experience as a Portfolio Manager.
- In November, 2015, company acquired membership of Research Analyst.

(ii) **Promoters of the Portfolio Managers, Directors and their background**

**a. Promoters**

Promoter's of the company is from Patel Family. Present Promoter's of this company are Mr. Pankaj Patel, Mr. Vishal Patel, Ms. Purvi Patel and Mr. Saurabh Patel, who have experience in managing JHP Securities Pvt. Ltd. as a full service brokerage house.

**b. Particulars of Directors**

<b>I. Name of Directors</b>	:	Mr. Vishal Patel - Director and Principal Officer
<b>Address</b>	:	5, Divya Darshan, 2 <sup>nd</sup> floor, N S Road – 5, Vallabhangar Society, J.V.P.D Scheme, Vile Parle (West), Mumbai – 400056.
<b>Qualification</b>	:	Master of Science in Finance from Suffolk University, Boston U.S.A. - 2003 Bachelors of Science in General Management, Purdue University, West Lafayette, U.S.A. – 2001 B.Com, Mumbai University – 1999
<b>Experience</b>	:	

He has completed his Masters in Finance from Suffolk University, Boston, U.S.A. He is academically well versed with Capital Budgeting and Investments. In addition after coming back to India, he is in charge of entire operations, research and management of brokerage business.

As a Director of JHP Securities Pvt. Ltd, which is engaged in the business of broking in shares and stock and as a member of Bombay Stock Exchange and also a member of National Stock Exchange. The company is also member of Central Depository Services (India) Ltd. He is overall in charge of the company and handles Dealing, Operations, Back Office, Risk Management, Compliance, HR and Accounts

<b>Date of Appointment</b>	:	12th April 2004
<b>Other Directorship</b>	:	JHP Commodities (P) Ltd. Empire Lubricants (P) Ltd. Speciality Estates (P) Ltd. JHP Advisory Services (P) Ltd. JHP Finvest (P) Ltd. Gokul Emerald Condominium (P) Ltd. Superior Fin.Cons.Serv. (P) Ltd



- II. Name of Directors** : Mr. Pankaj Patel – Director
- Address** : 5, Divya Darshan, 6<sup>th</sup> & 7<sup>th</sup> Floor, N S Road 5,  
Vallabhnagar Society, JVPD Scheme,  
Vile Parle (West), Mumbai – 4000 056.
- Qualification** : Intermediate, Bachelor of Commerce, Mumbai.  
BSE Derivatives Module - June 2004 scoring 83.99%
- Experience** :  
Started his career with Own Business of Cotton Ginning & Pressing in the year 1977, thereafter was part of M/s. J.H. Patel, a Stock Broker Firm of BSE. It was corporatized in the year 1997 as M/s. JHP Securities Pvt. Ltd. Mr. Pankaj Patel oversees Management Operations Dealings. He has hands on experience in the broking business
- Date of Appointment** : 15th December 1997
- Other Directorship** : JHP Commodities (P) Ltd.  
Superior Financial Consultancy Service Pvt. Ltd.  
JHP Advisory Services Pvt. Ltd.  
Pankaj Cotton Company Pvt. Ltd.  
Peculiar Estates Pvt. Ltd.  
Speciality Estates Pvt. Ltd.  
Perna Investments Pvt. Ltd.  
Empire Lubricants Pvt. Ltd.  
Gokul Emerald Condominium (P) Ltd.  
Urvi Holdings Pvt. Ltd.  
Pat Holdings Pvt. Ltd.  
Pat Financial Cons.Pvt.Ltd.  
Equitable Fin.Cons.Pvt. Ltd.  
Independent Estates Pvt. Ltd.  
Pranav Holdings Pvt. Ltd.
- III. Name of Directors** : Ms. Purvi Patel – Director
- Address** : “5, Divya Darshan, 6<sup>th</sup> & 7<sup>th</sup> Floor, N S Road 5,  
Vallabhnagar Society, JVPD Scheme,  
Vile Parle (West), Mumbai – 4000 056
- Qualification** : B.Com , Mumbai University 1996
- Experience** :

Ms. Purvi Patel is Commerce Graduate and acting Investor with keen interest in Portfolio Management. She has also developed capabilities in Human Resource Management. She is to look after HR Activities at JHP Securities from the year 2000 to 2005.

**Date of Appointment** : 1st July 1999

**Other Directorship** : JHP Commodities (P) Ltd.  
Peculiar Estates Pvt. Ltd

**IV. Name of Directors** : Ms. Kavita V. Jariwala – Director

**Address** : 42 Samarpan Bungalows,  
Opp. HPCL Petrol Pump, Bodakdev,  
Ahmedabad – 380 054.

**Qualification** : B.Com. A.C.A. Chartered Accountant

**Experience** :

Ms. Kavita Jariwala is Commerce Graduate and a Qualified Chartered Accountant. She worked as sub-broker for M/s. Bharat J. Patel (BSE) for the period from April 2001 to June 2004. She's handling Ahmedabad Branch of M/s. JHP Securities Pvt. Ltd. from July 2004. Her additional responsibilities include Bus Business Development activities of the Company for Western Region

**Date of Appointment** : 5th October 2004

**Other Directorship** : Pranav Holdings Pvt. Ltd.

**V. Name of Directors** : Mr. Saurabh Patel - Director

**Address** : 5, Divya Darshan, 1<sup>st</sup> floor, N S Road – 5, Vallabhangar  
Society, J.V.P.D Scheme, Vile Parle (West), Mumbai –  
400056.

**Qualification** : MBA from Welingkar Institute of Management Studies

**Experience** :

As a Director of JHP Securities Pvt. Ltd, which is engaged in the business of broking in shares and stock and as a member of Bombay Stock Exchange and also a member of National Stock Exchange. The company is also member of Central Depository Services (India) Ltd. He is overall in charge of Dealing and Institutional Department.

**Date of Appointment** : 3<sup>rd</sup> July, 2008

**Other Directorship** : JHP Finvest (P) Ltd.  
Finquest Fin.Sol.Pvt.Ltd.  
Empire Lubricants (P) Ltd.  
Superior Fin.Cons.Serv. (P) Ltd.

VI: **Name of Directors** : Mr Milind P Patel - Director

**Address** : 5, Divya Darshan, 6<sup>th</sup> Floor, N S Road 5,  
Vallabhnagar Society, JVPD Scheme,  
Vile Parle (West), Mumbai – 4000 056

**Qualification** : Master of Finance from Cass Business School, City University,  
London

**Experience** :

Handling the institutional broking activities at JHP Securities, Overlooking all aspects related to Research, Sales and execution since 2011.

**Date of Appointment** : 19<sup>th</sup> May, 2015

**Other Directorship** : NIL

**(iii) Top 10 Group companies/firms of the Portfolio Manager on turnover basis.**

Based on the Balance Sheets made available as on March 31, 2019

<b>Sr No</b>	<b>Name of the Group Company</b>
1	JHP Finvest Private Ltd.
2	Superior Financial Consultancy Services Pvt. Ltd.
3	JHP Commodities Pvt. Ltd.
4	Speciality Estate Pvt. Ltd.
5	Mutual Estates Maharashtra Pvt. Ltd.
6	Pankaj Cotton Company Private Ltd
7	Peculiar Estate Pvt. Ltd.
8	Prerana Investment Pvt. Ltd.
9	JHP Advisory Services Pvt. Ltd.
10	Gokul Emerald Condominium Pvt. Ltd.

**(iv)Details of services being offered: Discretionary / Non discretionary / Advisory:**

**DISCRETIONARY SERVICES**

The Portfolio Manager shall be acting in a fiduciary capacity with regard to the Client's account consisting of investment, 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). The Portfolio Manager shall be acting both as an agent as well as a trustee of the Client's account.

The Portfolio Manager will provide Discretionary Portfolio Management Services which shall be in the nature of investment management, and may include the responsibility of managing, renewing and reshuffling the portfolio, buying and selling the 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 period as described, entirely at the Client's risk.

The Portfolio Manager shall have the sole and absolute discretion to invest in respect of the Client's account in any type of security as per executed Agreement and make such changes in the investments and invest some or all the Client's account in such manner and in such markets as it deems fit would benefit the Client. The Portfolio Manager's decision in deployment of the Clients account is absolute and final and can never be called in question or be open to review at any time during the currency of the agreement or any time thereafter. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant Act, rules and regulations, guidelines and notifications in force from time to time.

**NON-DISCRETIONARY SERVICES**

The Portfolio Manager will provide Non-discretionary Portfolio Management Services as per express prior Instructions issued by the Client from time to time, in the nature of investment consultancy/management, and may include the responsibility of managing, renewing and reshuffling the portfolio, buying and selling the securities, keeping safe custody of the securities and monitoring book closures, dividend, bonus, rights, etc. so as to ensure 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.

The deployment of the Clients account by the Portfolio Manager on the Instructions of the Client is absolute and final and can never be called in question or shall not be open to review at any time during the currency of the agreement or any time thereafter. The rights and obligations of the Portfolio Manager shall be exercised strictly in accordance with the relevant Act, rules and regulations, guidelines and notifications in force from time to time.

**ADVISORY SERVICES**

The Portfolio Manager will provide Advisory Portfolio Management Services, in terms of the SEBI (Portfolio Manager) Regulations, 1993, which shall be in the nature of investment advisory and shall include the responsibility of advising on the portfolio strategy, sectoral allocation and investment and divestment of individual securities on the client portfolio, for an agreed fee structure, entirely at the Client's risk; to all eligible category of investors who can invest in Indian market including domestic institution, NRIs, FIIs, etc.

**(v) Minimum Investment Amount**

The minimum amount to be invested under the portfolio is Rs. 25,00,000/- (Rupees Twenty Five Lacs Only)

**4. 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 the Board or the directions issued by the Board under the Act or Rules or Regulations made thereunder	Refer note:1 below
(ii)	The nature of the penalty / direction	Refer note:1 below
(iii)	Penalties imposed for any economic offence and / or for violation of any securities laws	NIL
(iv)	Any pending material litigation / legal proceedings against the Portfolio Manager / key personnel with separate disclosure regarding pending criminal cases, if any	NIL
(v)	Any deficiency in the systems and operations of the Portfolio Manager observed by the Board or any regulatory agency	NIL
(vi)	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 thereunder.	Refer note:1 below

**Note: 1**

**I. Name of the party / Matter** : Engaging in the activities of Portfolio management without due registration. SEBI notice under Section 12(1) of SEBI Act read with regulation 3 of PM regulations and regulation 9(1) of PM regulation read with circular no SEBI/IMD/DOF-I/SRF/Cir no 1/93251/2007 vide letter dated 13th November, 2015

**Nature of dispute / Clarification** : PMS application due for renewal on 16th April, 2014 was submitted online within the due date but offline application for the same was sent post due date and same was rejected by the SEBI. Consequently SEBI issued show cause notice and thereafter passed an order imposing a penalty of Rs. 3,00,000/- We have preferred an appeal with SAT against the impugned order and the matter remains sub judice. Subsequently, fresh application for PMS registration has been approved by SEBI in December 2015 and we have been granted fresh registration as portfolio managers.

**Pending/settled** : Settled

**II. Name of the party** : J. E. Tauricar – Ex-Chairman of Niskalp Investments Trading Co. Ltd.  
**Matter with SEBI.**

**Nature of dispute** : During an enquiry in 2002-03 by SEBI into the transactions of Tata Finance Ltd. (TFL) and its wholly owned subsidiary, Niskalp Investments and Trading Co. Ltd. (NITC), they found that some of the transactions executed through M/s. JIP Investments who are our sub-brokers were irregular. As per our records, no irregularity was committed by us or by our sub-broker through us.

Concerned Officer had passed an order against which we had preferred an appeal in SAT. The Honourable SAT, post hearing the arguments from both sides has set aside SEBI's order. Via appeal no. 121 of 2012. Subsequently SEBI has preferred an appeal with Supreme Court of India and matter is at present pending at this stage.

**Pending/settled** : Pending

**III. Name of the party** : **Global Tele Systems Ltd. & Global E-Commerce Services Limited**

**Nature of dispute** : Back dated Transaction in the shares of Global Telesystems – EAD/ENQ/PKB/EIF-258/180631/2009 dated October 23, 2009.

Cross Examination in the matter is being offered to us by SEBI, dates for which will be communicated to us in due course.

**Pending/settled** : Pending

**IV. Name of the party** : SEBI notice under regulations 25(1) of SEBI (Intermediaries) Regulations, 2008 date 24th September, 2013.

**Nature of dispute / Clarification** : SEBI conducted the inspection of books of accounts, records and other documents in the year 2010. After several correspondences with SEBI between the year 2010 to 2013 SEBI had issued the aforesaid SCN to us.

On perusal of the said SCN, it was observed that certain documents purported to have been enclosed with the SCN, but probably due to oversight had not been enclosed with the notice. Hence for the same we had communicated with the SEBI on 7th March, 2015 and 3rd July, 2015 for furnishing the entire SCN complete in all respects. Sometime in September, 2019 SEBI provided us with a complete set of the SCN and we will now be filing our reply in due course.

**Pending/settled** : Pending

**V. Name of the party** : SEBI notice issued to Mr. Pankaj Patel, director of the company, under regulations 4 (1) of SEBI (Procedure for Holding Inquiry and Imposing Penalty by Adjudicating Officer) Rules, 1995, in the matter of Deccan Cements

**Nature of dispute / Clarification** : SEBI has issued the aforesaid SCN dated 30<sup>th</sup> August, 2019 received sometime towards the end of September, 2019. On perusal of the documents, it was noticed that the annexures to the SCN purported to be enclosed with the SCN in a CD was missing. This has been communicated to SEBI via letter dated 7<sup>th</sup> October, 2019 and the same is awaited. Reply to the SCN shall be filed upon receipt of all necessary documents.

**Pending/settled : Pending**

## **5. SERVICES OFFERED**

### **Types of services / products offered**

Currently, the Portfolio Manager offers following:

#### **5.1. INDIA SUPER FOCUS:**

##### **Investment Objective and Policies:**

Serious money is made in the stock market in the long run. Given sufficient time, stock ideas perform to full potential, a longer time frame generally being supportive to realization of outsized returns. Also, a focused portfolio strategy allows superior coverage of each idea owing to a smaller investment base. The Super Focus theme embodies the aforesaid hypothesis.

India Super Focus is designed to be a focused portfolio composition of captivating opportunities from the mid-cap and small-cap market spaces. This strategy should meet the needs of *enterprising* investors keen to own a tiny clutch of high-potential long-term ideas.

The objective of the portfolio is to generate top-drawer returns over the very long term by investing in a compact basket of *value situations* with value-unlock opportunities/possibilities and/or long-term growth potential. This product is apt for serene participants seeking meaningful returns albeit with a lower threshold for risk.

The key intent is to own an assortment of under-researched, neglected/overlooked, out-of-favor and often mispriced situations, most likely to be found in the mid-cap and small-cap market spaces.

The stock picking style will be bottom-up micro across all market spaces (sectors/themes). The considerations for company-stock selection would include among others: quality of human capital and owners' intent → business attractiveness → superiority of business model and growth strategy → competitive position → future potential (value unlock & growth) → quality of balance sheet → valuation (absolute + relative)

The indicative asset allocation at different moments could be: equity (100% to 50%), and cash / cash equivalent (0% to 50%). The equity allocation would be spread across mid-cap and small-cap universe. The portfolio will be benchmarked against the BSE-Midcap Index for performance evaluation.

##### **Type of Securities it would generally invests:**

- a. The portfolio manager may invest upto 100% in Mid Cap and Small Cap companies Equity / equity related instruments
- b. Upto Nil% in Large Cap companies Equity / equity related instruments.

- c. The portfolio manager may invest upto a maximum of 20% of the committed portfolio corpus in private equity or pre-IPO related transactions.
- d. The portfolio manager would also have the ability to invest the committed portfolio corpus in Exchange Trade Fund(s).
- e. The Portfolio Manager may from time to time invest the idle cash balance in units of liquid / money market Mutual Funds, Bank Fixed Deposits and similar instruments/ securities which offer fixed income/yield.

### **Risk Management**

Risk mitigation measures would include among others: optimal exposure across themes/sectors, noteworthy move in to cash/cash-equivalents when necessary, periodic portfolio rebalancing/reorganizing, shift to defensive situations, hedging by use of derivative instruments or exposure to inversely correlated alternative assets.

## **5.2. INDIA FLEXI VALUE:**

### **Investment Objective and Policies:**

Change is the only constant *ever-present in the real economy, the capital markets, and the minds of human beings* continually providing impetus to stock prices and creating opportunities. Again, people have usually been fascinated by the idea of making money over *shorter* timeframes.

India Flexi Value is designed to be a varying portfolio composition of high-probability rapidly-evolving ideas of diverse capitalization from across all market spaces. This strategy seeks to fulfill the needs of *opportunistic* investors disposed to owning a dynamic cluster of vibrant high-potential median-horizon ideas.

The objective of the portfolio is to generate attractive returns over the medium term by investing in value situations harboring 'value unlock' opportunities and compelling 'value discovery' possibilities, powered by a catalyst and expectation driven approach. This product is suitable for opportunistic participants seeking decent returns with a moderate threshold for risk.

The key intent is to seek the best opportunities exploitable over the medium-term participation horizon by use of an open-ended approach.

The stock picking style will be bottom-up micro across all market spaces (sectors/themes).

The considerations for company-stock selection would include among others:

**(I)** quality of human capital and owners' intent → business attractiveness → business model and growth strategy → competitive position → future potential (value unlock) → quality of balance sheet → valuation (absolute + relative)

**(II)** change catalysts and expectations : capital/human asset restructuring, balance sheet repair/cleanup, new ownership and/or management, fresh business strategy business model revamp spanning new growth & innovation initiatives, shareholder value creation initiatives, resolution of regulatory bottlenecks, favorable change in government policy, improvement/(+ve)turnaround in cyclical factors, correction of valuation anomaly/aberration, etc.



The indicative asset allocation at different moments could be: equity (100% to 50%), and cash/equivalent (0% to 50%). The equity allocation would be spread across all market capitalizations (large, mid, small, micro), with the portfolio size likely to be large at start and progressively becoming smaller and focused, as a more clear macro and micro picture emerges. The portfolio will be benchmarked against the BSE-500 Index for performance evaluation.

**Type of Securities it would generally invests:**

- a. The portfolio manager may invest upto 80% in Mid Cap and Small Cap companies Equity / equity related instruments
- b. Upto 65% in Large Cap companies Equity / equity related instruments.
- c. The portfolio manager may invest upto a maximum of 20% of the committed portfolio corpus in private equity or pre-IPO related transactions.
- d. The portfolio manager would also have the ability to invest the committed portfolio corpus in Exchange Trade Fund(s).
- e. The Portfolio Manager may from time to time invest the idle cash balance in units of liquid / money market Mutual Funds, Bank Fixed Deposits and similar instruments/ securities which offer fixed income/yield.

A key risk specific to this product is delay in actualization of catalyst/expectation for a given idea over the indicative investment horizon; however this will be partially offset by the manner of allocation described above (exposure to more ideas at start and fewer later when improved macro and micro clarity emerges), frequent rebalancing of portfolio if required, and swapping of non-performing ideas by more probable ones.

**Risk Management**

Risk mitigation measures would include among others: adequate diversification (across themes/sectors, across market capitalizations), noteworthy move in to cash/cash-equivalents when necessary, periodic portfolio reassessment, hedging by use of derivative instruments or taking on exposure to inversely correlated alternative assets.

**5.3. INDIA PORTFOLIO BUILDER:**

**Investment Objective and Policies:**

Astute market observers the world over see India as one of the bright spots on the global economic landscape. The India Growth Story is at an infant stage and promises to be a long-term sustainable theme. It is a unique opportunity to own a basket of top-quality stocks at attractive valuations has arisen.

India Portfolio Builder is designed to be a diverse portfolio composition of solid large and mid-sized companies with attractive long-term potential. For *thinking* participants desirous of owning a “core” portfolio of robust companies, now is a good time as any to opt for this product.

The objective of the portfolio is to generate superior returns over the long term by investing in promising leaders existing and emerging from the large and mid cap universe. This product is appropriate for judicious participants seeking quality returns albeit with a lower appetite for risk. The portfolio manager will employ both the 'value' and 'growth' styles to stock selection.

The key intent is to own a selection of structurally strong companies (best-of-breed) with long-term potential from across sectors.

The stock picking style will be bottom-up micro across all market spaces (sectors/themes).

The considerations for company-stock selection would include among others: quality of human capital and owners' intent → business attractiveness → solidity of business model and growth strategy → competitive position, size-profit leadership/DNA & durability of competitive advantage → future potential (value unlock &/ growth) → quality of balance sheet and change potential → valuation (absolute + relative).

The indicative asset allocation at different moments could be: equity (100% to 65%), and cash/equivalent (0% to 35%). The equity allocation would be spread across ideas from the large-cap and mid-cap universe. The portfolio will be benchmarked against the BSE500 Index for performance evaluation.

**Type of Securities it would generally invests:**

- a. The portfolio manager may invest upto 70% in Mid Cap companies Equity / equity related instruments
- b. Upto 65% in Large Cap companies Equity / equity related instruments.
- c. The portfolio manager may invest upto a maximum of 20% of the committed portfolio corpus in private equity or pre-IPO related transactions.
- d. The portfolio manager would also have the ability to invest the committed portfolio corpus in Exchange Trade Fund(s).
- e. The Portfolio Manager may from time to time invest the idle cash balance in units of liquid / money market Mutual Funds, Bank Fixed Deposits and similar instruments/ securities which offer fixed income/yield.

A key feature specific to this product is capital allocation across more ideas, however this may be offset by: **a)** higher allocation to the more promising concepts, and **b)** overall portfolio quality/robustness owing to superior selection considerations.

**Risk Management**

Key risk mitigation methodologies will encompass: rebalancing to model, shift to cash/equivalent, shift to defensive situations, shift to inversely correlated assets, hedge equity and/or cash/equivalent using derivatives.

**5.4. THE GREAT INDIA OPPORTUNITY:**

**Investment Objective and Policies:**

The objective of the portfolio is to generate attractive returns over the short to medium term (recommended period = 12 months) by use of a multi strategy catalyst and expectation driven approach. This product is suitable for opportunistic participants seeking decent returns with a moderate threshold for risk.

The stock picking style will be bottom-up micro across all market spaces (sectors/themes). The allocation of funds would be spread across 5 to 20 ideas originating from any/all market capitalization categories (large, mid, small, micro).

A multi strategy modus operandi for stock selection and portfolio construction would encompass the use of : a) the value, growth, and momentum investment styles, b) the fundamental approach (qualitative factors / quantitative factors / both), or the technical approach (with-the-trend trade / contrarian trade), or a combination of the two, c) a long or a long+short directional bias.

The catalysts inspiring stock selection may be value drivers, growth drivers, or momentum drivers. Also the nature of expectations driving stock selection may be fundamental, technical, or sentimental. The portfolio will be benchmarked against the BSE500 Index for performance evaluation.

**Type of Securities it would generally invests:**

- a. The portfolio manager may invest upto 100% in Mid Cap and Small Cap companies Equity / equity related instruments
- b. Upto 60% in Large Cap companies Equity / equity related instruments.
- c. The portfolio manager may invest upto a maximum of 20% of the committed portfolio corpus in private equity or pre-IPO related transactions.
- d. The portfolio manager would also have the ability to invest the committed portfolio corpus in Exchange Trade Fund(s).
- e. The Portfolio Manager may from time to time invest the idle cash balance in units of liquid / money market Mutual Funds, Bank Fixed Deposits and similar instruments/ securities which offer fixed income/yield.

**Risk Management:**

A key risk specific to this product is delay in actualization of catalyst/expectation for a given idea over the indicative investment horizon; however this will be partially offset by swapping of non-performing ideas by more probable ones, and frequent rebalancing of portfolio if required. Other risks may stem from: a) shorter investment horizon – this may be countered by selection of high probability ideas, b) focused exposure in select ideas – this may be mitigated by robust selection considerations for the same, c) adverse momentum – this may be neutralized by smaller position size in such ideas.

Even so, risk mitigation measures among others would include: optimal exposure across themes/sectors, noteworthy move in to cash/cash-equivalents when necessary, periodic portfolio rebalancing/reorganizing, shift to defensive situations if deemed desirable, hedging by use of derivative instruments or exposure to inversely correlated alternative assets.

**5.5. INCREDIBLE INDIA PORTFOLIO:**

Investment Objective and Policies:

The investment objective of the Portfolio is to seek to generate long-term capital growth from an actively managed portfolio primarily of Equity and Equity Related Securities.

As Warren Buffet says, "Someone's sitting in the shade today because someone planted a tree a long time ago". Benefits of Long Term Investment are immense. Incredible India Portfolio is focused on long-term growth in revenue and absolute profit. The Portfolio is suitable for investors who understand that equity investments are ideal investments only for the long-term and for whom 'long-term' means a minimum period of three to five years.

The key intent is to buy securities at a discount to intrinsic value which will help to create value for investors. The Portfolio will seek to generate alpha by investing in such value stocks, most likely to be found in the mid-cap and small-cap market spaces. Small and mid cap stocks will account for 60 – 70% of the portfolio while large caps will account for the remaining.

Alpha is the measure of performance with respect to the performance of the index against which the Portfolio is benchmarked. Incredible India Portfolio aims to outperform the benchmark by achieving 18 – 25 % p.a. over a longer period of time. The Portfolio has been benchmarked against BSE 500.

The indicative asset allocation at different moments could be: Equity (100% to 65%), and cash / cash equivalent (0% to 35%). Cash Equivalents will typically include Money Market instruments such as Liquid Schemes of Mutual Funds, CBLO, Certificate of Deposits (CDs), Commercial Papers (CPs), etc. Money Market instruments are typically for short maturities ranging from 1 day to 365 days. The equity allocation would be spread across all capitalizations such as large, mid, small and micro-cap and the Portfolio will ideally comprise of 7 to 20 investment ideas (maximum count restricted to 25 at any given point of time) with maximum exposure to any idea not exceeding 33% of the Portfolio.

The Portfolio may also use Gold, Defensive stocks or other uncorrelated assets for the purpose of hedging against probable downsides in equity.

Type of Securities it would generally invests:

- a. The portfolio manager may invest upto 100% in Mid Cap and Small Cap companies Equity / equity related instruments
- b. Upto 60% in Large Cap companies Equity / equity related instruments.
- c. The portfolio manager may invest upto a maximum of 20% of the committed portfolio corpus in private equity or pre-IPO related transactions.
- d. The portfolio manager would also have the ability to invest the committed portfolio corpus in Exchange Trade Fund(s).
- e. The Portfolio Manager may from time to time invest the idle cash balance in units of liquid / money market Mutual Funds, Bank Fixed Deposits and similar instruments/ securities which offer fixed income/yield.

## Risk Management

Key risk mitigation methodologies will encompass: rebalancing to model, shift to cash/equivalent, shift to defensive situations, shift to inversely correlated assets, hedge equity and/or cash/equivalent using derivatives.

## 6. RISK FACTORS

### 1. General Risks associated with the Management of the Portfolio:

1.1 Any act, omission or commission of the Portfolio Manager under this Agreement will be solely at the risk of the Client and the Portfolio Manager will not be liable for any act of omission or commission taken or failure to act save and except in cases of negligence, willful default and /or fraud of the Portfolio Manager.

1.2 The Client undertakes all responsibilities and agrees to bear all risks arising out of refusal by a Company or Corporation for whatever reasons, to register the transfer of any of the Securities in respect of the Client's Portfolio. The Securities which are so purchased and refused to be transferred in the name of the Client or the Portfolio Manager by the Company or Corporation concerned, may be sold by the Portfolio Manager, at the available market rate, at the risk and responsibility of the Client concerned.

1.3 The Client shall not question any of the acts, deeds, omissions or commissions or things done or performed by the Portfolio Manager under this agreement and the Portfolio Manager shall fulfill its duties and obligations, at its absolute discretion, without interference from the Client, his/her/its attorney (s) or authorized agent (s).

### 2. Risk Factors in relations to Securities Investments.

#### 2.1 Risk associated with Equity and Equity Related Securities:

Equity and Equity Related Securities by nature are volatile and prone to price fluctuations on a daily basis due to macro and micro economic factors. The value of Equity and Equity Related Securities may fluctuate due to factors affecting the securities markets such as volume and volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the Government, taxation laws, political, economic or other developments, which may have an adverse impact on individual securities, a specific sector or all sectors. Consequently, the Value of the Client Portfolio may be adversely affected.

Further, the Equity and Equity Related Securities are risk capital and are subordinate in the right of payment to other securities, including debt securities.

Equity and Equity Related Securities listed on the stock exchange carry lower liquidity risk; however the Portfolio Manager's ability to sell these investments is limited by the overall trading volume on the stock exchanges. In certain cases, settlement periods may be extended significantly by unforeseen circumstances. The inability of the Portfolio Manager to make intended securities purchases due to settlement problems could cause the Client to miss certain investment opportunities. Similarly, the inability to

sell securities held in the Portfolio may result, at times, in potential losses to the Portfolio, should there be a subsequent decline in the value of securities held in the Client's portfolio.

The Portfolio Manager may invest in securities which are not listed on the stock exchanges. These securities may be illiquid in nature and carry a higher amount of liquidity risk, in comparison to securities that are listed on the stock exchanges or offer other exit options to the investor. The liquidity and valuation of the investments held in Portfolio, due to its holdings of unlisted securities may be affected if they have to be sold prior to the target date of disinvestment.

## **2.2 Risk associated with Fixed Income and Money Market Securities:**

### **Interest Rate Risk**

Fixed Income and Money Market Securities run interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rate falls, the prices increase. In case of floating rate securities, an additional risk could arise because of the changes in the spreads of floating rate securities. With the increase in the spread of floating rate securities, the price can fall and with decrease in spread of floating rate securities, the prices can rise.

### **Credit Risk**

Credit risk or default risk refers to the risk that the issuer of a fixed income security may default on interest payment or even in paying back the principal amount on maturity. Fixed Income and Money Market Securities are subject to credit risk.

Lower rated or unrated securities are more likely to react to developments affecting the market and credit risk than the highly rated securities which react primarily to movements in the general level of interest rates. Lower rated or unrated securities also tend to be more sensitive to economic conditions than higher rated securities.

### **Liquidity or Marketability Risk**

The ability of the Portfolio Manager to execute sale/purchase order is dependent on the liquidity or marketability. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. The securities that are listed on the stock exchange carry lower liquidity risk, but the ability to sell these securities is limited by the overall trading volumes. Further, different segments of Indian financial markets have different settlement cycles and may be extended significantly by unforeseen circumstances.

### **Re-investment Risk**

This refers to the interest rate risk at which the intermediate cash flows received from the securities in the Portfolio Manager including maturity proceeds are reinvested. Investments in fixed income securities may carry re-investment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the debt security. Consequently, the proceeds may get invested at a lower rate.

## **2.3 Risks associated with Investing 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 the strategies to be pursued by the Portfolio Manager involve uncertainty and decision of Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager will be able to identify or execute such strategies.

Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Other risks include risk of mispricing or improper valuation and the inability of the derivative to correlate perfectly with underlying assets, rates and indices, illiquidity risk whereby the Portfolio Manager may not be able to sell or purchase derivative quickly enough at a fair price.

#### **2.4 Risks associated with Investing in Securitised Debt**

Securitised debt may suffer losses in the event of delinquencies and credit losses in the underlying pool exceeding the credit enhancement provided. Securitised debt are subject to interest-rate risk, prepayment risk, credit or default risk.

Further, Asset Backed Security (ABS) has structure risk due to a unique characteristic known as early amortization or early payout risk.

#### **2.5 Risks associated with Securities Lending**

As with other modes of extensions of credit, there are risks inherent to securities lending, including the risk of failure of the other party, in this case the approved intermediary, to comply with the terms of the agreement entered into between the lender of securities i.e. the Portfolio Manager and the approved intermediary. Such failure can result in the possible loss of rights to the collateral put up by the borrower of the securities, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of any corporate benefits accruing to the lender from the securities deposited with the approved intermediary. The Portfolio Manager may not be able to sell such lent securities and this can lead to temporary illiquidity.

#### **2.6 Risks associated with investments in Mutual Funds:**

The Portfolios may invest in schemes of Mutual Funds. Hence scheme specific risk factors of each such underlying scheme will be applicable to the portfolios.

**2.7** The investment according to investment objective of a Portfolio may result in concentration of investments in a specific security / sector/ issuer, which may expose the Portfolio to risk arising out of non diversification. Further, the portfolio with investment objective to invest in a specific sector / industry would be exposed to risk associated with such sector / industry and its performance will be dependent on performance of such sector / industry.

## 7. Client Representation

(i) Client categorization is as given below:

Category of Clients	No. of Clients	Funds managed (Rs.cr.)	Discretionary/ Non-Discretionary (if available)
Associates / group companies	NIL	NIL	Discretionary
FY 2015-2016	23	7.21	Discretionary
FY 2016-2017	33	16.33	Discretionary
FY 2017-2018	49	27.46	Discretionary
FY 2018-2019	70	37.34	Discretionary
As on 30 <sup>th</sup> September, 2019	74	35.62	Discretionary

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

(This disclosure is extracted from the information provided by the Statutory Auditors based on audited Annual Accounts of JHP Securities Pvt. Ltd. as on 31 March,2019).

### Transactions with related parties other than Portfolio management activity

Details of Related Parties Transaction & Balance for the F.Y. 2018 - 2019			
			(Cr (+) / Dr (-))
		Values Amount	Balance as On
Name of Account	Particulars	31.03.2019	31.03.2019
Aakash Patel	Purchase & Sales of Shares	11,88,27,598	-
Bharat Jayantilal Patel	Purchase & Sales of Shares	11,32,95,113	28,01,116
Damayanti Patel	Purchase & Sales of Shares	8,06,72,098	5,600
Milind Patel	Purchase & Sales of Shares Net Future & Option Bills Turnover	5,29,41,49,064	12,29,35,466
Pankaj Patel	Purchase & Sales of Shares Net Future & Option Bills Turnover	1,18,99,84,264	2,32,08,185
Prashant Jayantilal Patel	Purchase & Sales of Shares	91,82,40,801	45,64,28,019
Prashant Jayantilal Patel	Interest Paid	1,27,97,053	
Purvi Patel	Purchase & Sales of Shares	22,34,96,374	-
Saurabh Patel	Purchase & Sales of Shares	16,49,13,942	-
Superior Financial Consultancy Services Pvt. Ltd.	Purchase & Sales of Shares	18,41,24,804	5,96,98,885
Vishal Patel	Purchase & Sales of Shares	21,47,99,746	-
Urvi Patel	Purchase & Sales of Shares	-	-



## 8. FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER

Following table captures key financial data of JHP Securities Pvt. Ltd. based on audited Financial Statements as on March 31, 2019:

Particulars	As on March 31, 2019 (in Rupees)
<b>Sources of Funds</b>	
Share Capital	3,21,40,800
Reserves & Surplus	46,99,07,088
Total Income	14,87,61,367
Net Profit /(Loss)	5,41,11,962
<b>Application of Funds</b>	
Fixed Assets	11,45,89,247
Investments	10,86,31,512
Deferred Tax Asset (Net)	6,22,194
Net Current Assets & Misc. Expenses	27,82,04,934
Networth (as per method of calculation defined in the Regulations)	47,20,47,889

## 9. PORTFOLIO MANAGEMENT PERFORMANCE

Portfolio Management performance of the Portfolio Manager for the last three years, and in case of discretionary Portfolio Manager disclosure of performance indicators calculated using weighted average method in terms of Regulation 14 of the SEBI (Portfolio Managers) Regulations, 1993, as amended from time to time.

Sr. No	Scheme Name	Status	Performance period		Portfolio Return (in %)	Benchmark Return (in %)	Benchmark
			From date	To date			
1	India Portfolio Builder	Individual	01/04/2019	30/09/2019	-17.15	-3.67	BSE - 500
2	India Flexi Value	Individual	01/04/2019	30/09/2019	-6.07	-3.67	BSE - 500
3	India Super Focus	Individual	01/04/2019	30/09/2019	-11.63	-9.36	BSE Mid - cap
4	The Great India Opportunity	Individual	01/04/2019	30/09/2019	-10.78	-3.67	BSE - 500
5	Incredible India	Individual	01/04/2019	30/09/2019	-12.29	-3.67	BSE - 500

Sr. No	Scheme Name	Status	Performance period		Portfolio Return (in %)	Benchmark Return (in %)	Benchmark
			From date	To date			
1	India Portfolio Builder	Individual	01/04/2018	31/03/2019	-12.69	7.06	BSE - 500
2	India Flexi Value	Individual	01/04/2018	31/03/2019	-10.13	7.06	BSE - 500
3	India Super Focus	Individual	01/04/2018	31/03/2019	-19.83	-4.37	BSE Mid - cap
4	The Great India Opportunity	Individual	01/04/2018	31/03/2019	-4.07	7.06	BSE - 500
5	Incredible India	Individual	01/04/2018	31/03/2019	-5.16	7.06	BSE - 500

Sr. No	Scheme Name	Status	Performance period		Portfolio Return (in %)	Benchmark Return (in %)	Benchmark
			From date	To date			
1	India Portfolio Builder	Individual	01/04/2017	31/03/2018	19.39	11.00	BSE-500
2	India Flexi Value	Individual	01/04/2017	31/03/2018	13.63	11.00	BSE-500
3	India Super Focus	Individual	01/04/2017	31/03/2018	19.40	12.49	BSE Mid-cap
4	The Great India Opportunity	Individual	01/04/2017	31/03/2018	6.86	11.00	BSE-500
5	Incredible India	Individual	01/04/2017	31/03/2018	5.68	11.00	BSE-500

Sr. No	Scheme Name	Status	Performance period		Portfolio Return (in %)	Benchmark Return (in %)	Benchmark
			From date	To date			
1	India Portfolio Builder	Individual	01/04/2016	31/03/2017	32.69	24.09	BSE-500
2	India Flexi Value	Individual	01/04/2016	31/03/2017	44.91	24.09	BSE-500
3	India Super Focus	Individual	01/04/2016	31/03/2017	31.15	32.46	BSE Mid-cap
4	The Great India Opportunity	Individual	01/04/2016	31/03/2017	35.16	24.09	BSE-500
5	Incredible India	Individual	25/05/2016	31/03/2017	18.27	24.09	BSE-500

Sr. No	Scheme Name	Status	Performance period		Portfolio Return (in %)	Benchmark Return (in %)	Benchmark
			From date	To date			
1	India Portfolio Builder	Individual	05/02/2016	31/03/2016	5.65	2.84	BSE-500
2	India Flexi Value	Individual	30/03/2016	31/03/2016	-0.42	0.27	BSE-500
3	India Super Focus	Individual	01/03/2016	31/03/2016	0.99	7.63	BSE Mid-cap
4	The Great India Opportunity	Individual	01/03/2016	31/03/2016	2.88	7.21	BSE-500

\*Net of all fees and charges levied by the portfolio manager; Portfolio performance on weighted average basis; Benchmark performance on point- to-point basis

## **10. NATURE OF EXPENSES**

The following are indicative types of costs and expenses for clients availing the Portfolio Management services. The exact basis of charge relating to each of the following services shall be annexed to the Portfolio Management Agreement and the agreements of each of the services availed at the time of execution of such agreements.

### **10.1 Management Fees**

Management Fees relate to the Portfolio Management Services offered to clients. The fee may be fixed charge or a percentage of the quantum of funds managed and/ or linked to portfolio returns achieved or a combination of any of these, as agreed by the Client in the PMS Agreement.

In addition to the fixed fee, with regard to the management fees linked to portfolio returns/out performance achieved, the fee structure will be mutually decided as per the client agreement on high watermark principle which shall be the highest value that the portfolio 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, Management Fee carry Goods and service tax at the applicable rate.

### **10.2 Registrar and transfer agent fee**

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

### **10.3 Brokerage and transaction costs:**

Brokerage charges and other charges such as Goods and service tax, Stamp Duty, Securities Transactions Tax, etc will be charged on actual basis.

### **10.4 Entry Load: Not Applicable**

### **10.5 Exit Load on Withdrawal of Corpus:**

Withdrawal Fee of 2.5% (exclusive of Goods and service tax) will be applicable on all withdrawals if the corpus is withdrawn within one year from the date of joining the portfolio. In case of withdrawals in the form of securities, exit fee will be charged on the Net Asset Value of the securities withdrawn. Withdrawal amount will be arrived at after charging all fees (including performance linked management fees) and other expenses.

## **11. TAXATION**

### **TAX IMPLICATIONS FOR CLIENTS.**

The information set out below outlines the tax implications based on relevant provisions of the Indian Income-tax Act, 1961 (“the Act”).

#### **11.1 General**

Investment in securities is subject to the provisions of the Indian Income- tax Act, 1961. Special reference needs to be made in respect of provisions related to capital gains, business income and all other provisions of the Income Tax Act. Interest and dividends would be subject to tax as per the provisions of the Income Tax Act, 1961 (the Act). Client owns the liability for his Taxation.

In view of the individual nature of tax consequence on the income, capital gains or otherwise, arising from investments, each Client is advised to consult his / her / its tax advisor with respect to the specific tax consequences to him / her / it of participation in the portfolio management services.

The Portfolio Manager shall not be responsible for assisting in or completing the fulfillment of the client's tax obligations.

All the Tax Rates contained in this clause are applicable for the financial year 2019-20, in accordance with Finance (No. 2)Act, 2019.

#### **11.2 Tax deduction at source**

In the case of Non-residents, tax is required to be deducted at source by the authorized dealer and if required, tax will be withheld. Also, 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.

Non-residents without PAN are currently subjected to a higher rate of TDS.

#### **11.3 Advance tax installment obligations**

It shall be the Client's responsibility to meet the obligation on account of advance tax installments payable on the due dates under the Income tax Act.

#### **11.4 Securities Transaction Tax**

Securities Transaction Tax ("STT") is applicable on transactions of purchase or sale of equity shares in a company or Exchange Traded fund (ETF) or a derivative or units of Equity Oriented Fund or units of Business Trust entered into on a recognized stock exchange and sale of units of Equity Oriented Fund to the Mutual Fund.

The STT rates as applicable are given in the following table:

Transaction	Rates	Payable by
Purchase/ Sale of equity shares (delivery based) or a unit of business trust	0.1%	Purchaser / Seller
Purchase of units of equity oriented mutual fund (delivery based)	Nil	NA
Sale of units of equity oriented mutual fund (delivery based)	0.001%	Seller
Sale of equity shares, units of business trusts, units of equity oriented mutual fund (non delivery based)	0.025%	Seller
Sale of an option in securities	0.017%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of a futures in securities	0.01%	Seller
Sale of unit of an equity-oriented fund to the Mutual Fund	0.001%	Seller
Sale of unlisted equity shares and units of business trust under an initial offer	0.2%	Seller
Sale of unlisted units of a business trust which were acquired in consideration of a transfer referred to in clause (xvii) of section 47 of the Income-tax Act, 1961, under an offer for sale to the public included in an initial offer and where such units are subsequently listed on a recognized stock exchange.	0.2%	Seller

### 11.5 Characterization of Income on transfer of securities of companies.

Income arising from purchase and sale of securities can give rise to capital gains or business income in the hands of the investor. The issue of characterization of income is relevant as the income tax computation and rates differ in the two situations.

The characterization is essentially a question of fact and depends on whether the shares are held as business/trading assets or as capital assets.

The Central Board of Direct Taxes ('CBDT') has issued a circular<sup>1</sup> which deals with listed shares/ securities which states that:

- Where the assessee opts to treat the listed shares/ securities as stock-in-trade, the income arising from the transfer of such listed shares/ securities would be treated as business income.
- If the assessee desires to treat the gains arising from transfer of listed shares/ securities held for a period of more than 12 months as capital gains, the same shall not be put to dispute by the Assessing Officer.

Further the CBDT has also issued a clarification for unlisted shares stating that the income arising from transfer of unlisted shares would be considered under the head 'capital gain', irrespective of period of holding. It is, however, clarified that the above would not be necessarily applied in the situations where:

the genuineness of transactions in unlisted shares itself is questionable; or  
the transfer of unlisted shares is related to an issue pertaining to lifting of corporate veil;  
the transfer of unlisted shares is made along with the control and management of underlying business and the Assessing Officer would take appropriate view in such situations.

Further, in cases not following within the purview of the above circulars, the nature of the transaction (i.e. whether the same is in the nature of capital gains or business income) shall continue to be decided keeping in view the certain points and principles laid down by the judicial precedents and earlier CBDT circulars.

Based on the earlier CBDT circulars and judicial decisions, following are the key factors and principles which need to be considered while determining the nature of assets as above

- Motive for the purchase of shares.
- Frequency of transactions and the length of period of holding of the shares
- Treatment of the shares and profit or loss on their sale in the accounts of the assesseees.
- Source of funds out of which the shares were acquired – borrowed or own.
- Existence of an object clause permitting trading in shares – relevant only in the case of corporate bodies.
- Acquisition of the shares – from primary market or secondary market.
- Infrastructure employed for the share transactions by the client including the appointment of managers, etc.

The issue of income characterization as above is essentially a question of fact and dependent on whether the shares are held as Business / Trading assets or on Capital Account.

Any single factor discussed above in isolation cannot be conclusive to determine the exact nature of the shares. All factors and principles need to be construed harmoniously. Further, the background of the investor (Professional vs. a trader in shares) would also be a relevant factor in determining the nature of the shares.

CBDT has clarified that, it is possible for a tax payer to have two portfolios, i.e., an investment portfolio comprising of securities which are to be treated as capital assets and a trading portfolio comprising of stock-in-trade which are to be treated as trading assets. Where an assessee has two portfolios, the assessee may have income under both heads i.e., capital gains as well as business income.

In view of the above, the profits or gains arising from transaction in securities could be taxed either as "Profits or Gains of Business or Profession" under section 28 of the Income Tax Act, 1961 or as "Capital Gains" under section 45 of the Income Tax Act, 1961.

As per CBDT Circular No.6/2016 dated 29th February, 2016 regarding taxability of surplus on sale of listed shares and securities, it states that:

Where the assessee itself, irrespective of the period of holding the listed shares and securities, opts to treat them as stock-in-trade, the income arising from transfer of such shares/securities would be treated as its business income

In respect of listed shares and securities held for a period of more than 12 months immediately preceding the date of its transfer, if the assessee desires to treat the income arising from the transfer thereof as Capital Gain, the same shall not be put to dispute by the Assessing Officer. However, this stand, once taken by the assessee in a particular Assessment Year, shall remain applicable in subsequent Assessment Years also and the taxpayers shall not be allowed to adopt a different/contrary stand in this regard in subsequent years.

It should also be noted that in the context of portfolio management schemes there has been litigation in the past on the characterization of income and judicial precedents have taken positions based on facts of each case.

#### **11.6 TAX IMPLICATIONS WHERE TRANSACTION IN SECURITIES ARE IN THE NATURE OF INVESTMENTS**

Where investment under Portfolio Management Services is treated as investment, the gain or loss from transfer of securities shall be taxed as Capital Gains under section 45 of the Act.

Under the existing provisions of clause (34) of section 10 of the Act, dividend which suffer dividend distribution tax (DDT) under section 115-O is exempt in the hands of the shareholder. Under section 115-O dividends are taxed only at the rate of fifteen percent at the time of distribution in the hands of company declaring dividends. The Finance Act, 2016 provided that any income by way of dividend in excess of Rs. 10 lakhs shall be chargeable to tax in the case of an individual, Hindu undivided family (HUF) or a firm who is resident in India, at the rate of ten percent. The taxation of dividend income in excess of ten lakh rupees shall be on gross basis. Under Finance Act, 2017, Sec 115BBDA extended the additional tax of 10% (plus applicable surcharge and education cess) to all resident tax payers, other than domestic companies and other specified entities on dividend income of more than Rs.10,00,000 p.a. received from a domestic company or companies. Thus, exemption under section 10(34) is granted to dividend received from an Indian company and not to a dividend received from a foreign company.

Income from units of Mutual Funds specified under clause 10(23D) is exempt from tax under section 10(35) of the Income Tax Act, 1961. However, the Finance Act 2018 amended the said provision by imposing tax on distributed income from open-ended equity oriented mutual funds at the rate of ten percent (Section 115BBB). Further, it has been clarified that income arising from transfer of units of Mutual Fund shall not be exempt under section 10(35). Transfer of units upon consolidation of mutual fund schemes of two or more

schemes of equity-oriented fund or two or more schemes of a fund other than equity-oriented fund in accordance with SEBI (Mutual Funds) Regulations, 1996 is exempt from capital gains.

The Finance Act, 2016 provided for tax exemption to unit holders vis-à-vis transfer of units upon consolidation of the plans within a scheme of mutual fund in accordance with SEBI (Mutual Funds) Regulations, 1996.

## 11.7 LONG TERM CAPITAL GAINS

As per the earlier provisions under Section 10(38), Long Term Capital Gains on sale of Equity Shares in a company or units of Equity Oriented Fund are exempt from income tax provided such transactions are entered on a recognized stock exchange or such units are sold to the Mutual Fund and such transactions are chargeable to STT. However, the Finance Act 2018 amended the said provision by imposing tax on Long Term Capital Gain exceeding Rs. 1 lakh at the rate of 10 percent, without allowing any indexation benefit. However, all gains up to 31st January, 2018 will be exempt from such tax.

Further a tax on distributed income by equity oriented mutual funds is introduced at the rate of 10 percent.

Exemption does not Apply

In respect of capital gains not exempted under section 10(38), the provisions for taxation of long-term capital gains for different categories of assessee and depending upon the period for which the securities are held, are explained hereunder:

Sr. No	Securities	Period of Holding	Characterization
1	Listed Securities (other than Units) and units of equity oriented Mutual Funds	More than twelve (12) months	Long-term Capital Asset
		Twelve (12) months or less	Short-term Capital Asset
2	Unlisted shares of a company	More than twenty-four (24) months	Long-term Capital Asset
		Twenty-four (24) or less	Short-term Capital Asset
3	Other securities	More than Thirty-six (36) months	Long-term Capital Asset
		Thirty-six (36) months or less	Short-term Capital Asset

### 11.7.1 For individuals and HUF's



Long-term Capital Gains in respect of capital asset held for a period of more than 12 months will be chargeable under section 112 of the Income Tax Act, 1961 at the rate of 20% plus education cess, as applicable. Capital gains would be computed after taking into account cost of acquisition as adjusted by Cost Inflation Index notified by the Central Government and expenditure incurred wholly & exclusively in connection with such transfer.

In case where taxable income as reduced by long term capital gains is below the exemption limit, the long-term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be charged at the flat rate of 20% plus cess, as may be applicable.

Long-term Capital Gains in respect of shares of an unlisted company held for a period of more than 24 months will be chargeable under section 112 of the Income Tax Act, 1961 at the rate of 20% plus education cess, as applicable.

As per Finance Act, 2017, the base year for indexation purpose has been shifted from 1981 to 2001 to calculate the cost of acquisition or to take fair market value of the asset as on that date. Further, it provides that cost of acquisition of an asset acquired before 1 April 2001 shall be allowed to be taken as fair market value as on 1 April 2001.

#### **11.7.2 For Indian Companies**

Long-term Capital Gains in respect of capital asset held for a period of more than 12 months will be chargeable under section 112 of the Income Tax Act, 1961 at the rate of 20% plus surcharge and cess, as applicable. Capital Gains would be computed after taking into account cost of acquisition as adjusted by Cost Inflation Index notified by the Central Government and expenditure incurred wholly & exclusively in connection with such transfer.

Long-term Capital Gains in respect of shares of an unlisted company held for a period of more than 24 months will be chargeable under section 112 of the Income Tax Act, 1961 at the rate of 20% plus surcharge and cess, as applicable.

#### **11.7.3 For Non-resident Indians**

Under section 115E of the Income Tax Act, 1961,

any income from investment or income from long-term capital gains of an asset other than specified asset as defined in Section 115C (Specified Assets include shares of Indian Company, Debentures and deposits in an Indian Company which is not a private company and securities issued by Central Government or such other securities as notified by Central Government ) is chargeable at the rate of 20% plus applicable surcharge and cess.

Income by way long-term capital gains is chargeable at the rate of 10% plus applicable surcharge and cess.

Long term capital gains arising to a non-resident from transfer of unlisted securities or shares of a company, not being a company in which the public are substantially interested, subject to 10% tax (without benefit of indexation and foreign currency fluctuation). As per Finance Act, 2017, this concessional rate shall be applicable w.e.f. 1 April, 2012.

#### **11.7.4 Tax on Long Term Gain in Certain Cases:**

Under section 112A of the Income Tax Act, long-term capital gains on transfer of (i) listed equity shares on which STT has been paid both at the time of acquisition and sale of such shares; or (ii) units of equity oriented mutual fund or business trust on which STT has been paid on transfer; shall be chargeable to tax at the rate of 10% on such long-term gains exceeding one lakh rupees. However, all gains up to 31st January, 2018 will be exempt from such tax.

In case of Individual or HUF being a resident, where the taxable income as reduced by long term capital gains is below the exemption limit, the long-term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be charged at the flat rate of 10% plus cess, as may be applicable.

The Taxation Laws (Amendment) Ordinance, 2019 dated 20th September 2019, provided that in case where the total income includes any income chargeable under Section 111A and Section 112A of the Income Tax Act, the rate of surcharge on the amount of income-tax deducted in respect of that part of income shall not exceed 15% for an individual, HUF, AOP, BOI and Artificial Judiciary Person.

The condition with respect to STT shall not apply to transfers undertaken on a recognized stock exchange located in any International Financial Services Centre and where the consideration for such transfer is received or receivable in foreign currency.

#### **11.8 Short Term Capital Gains**

Section 111A of the Income Tax Act, 1961 provides that short-term capital gains arising on sale of Equity Shares of a company or units of Equity Oriented Fund or units of a business trust entered on a recognized stock exchange and on sale of units of Equity Oriented Fund to the Mutual Fund are chargeable to income tax at a concessional rate of 15% plus applicable surcharge and cess, provided such transactions are entered on a recognized stock exchange and are chargeable to STT. However, the above shall not be applicable to transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency. Further, Section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains. In respect of capital gains not chargeable under Section 111A, the provisions for taxation of short-term capital gains for different categories of assesses are explained hereunder:

Short Term Capital Gains in respect of shares of a company (listed on a recognized stock exchange), units of Mutual Fund, units of Business Trust and any other listed securities held for a period of not more than 12 months and share of a company (not being a share listed in a recognized stock exchange) held for a period of not more than 24 months is added to the total income, total income including short-term capital gains is chargeable to tax as per the relevant slab rates.

The Taxation Laws (Amendment) Ordinance, 2019 dated 20th September 2019, provided that in case where the total income includes any income chargeable under Section 111A and Section 112A of the Income Tax Act, the rate of surcharge on the amount of income-tax deducted in respect of that part of income shall not exceed 15% for an individual, HUF, AOP, BOI and Artificial Judiciary Person..

## **11.9 PROFITS AND GAINS OF BUSINESS OR PROFESSION**

**11.9.1** If the investment under the Portfolio Management Services is regarded as “Business / Trading Asset” then the gain / loss arising there from is likely to be taxed as income from business.

**11.9.2** Dividend from securities referred to in section 115-O, will be exempt under section 10(34) of the Act. Dividends other than that referred to in section 115-O will be taxable as Income from Other Sources. Under Finance Act, 2017, Sec 115BBDA extended the additional tax of 10% (plus applicable surcharge and education cess) to all resident tax payers, other than domestic companies and other specified entities on dividend income of more than Rs.10,00,000 p.a. received from a domestic company or companies. Thus, exemption under section 10(34) is granted to dividend received from an Indian company and not to a dividend received from a foreign company.

**11.9.3** Interest income arising on securities could be characterized as ‘Income from Other Sources’ or ‘business income’ depending on facts of the case. Any expenses incurred to earn such interest income should be available as deduction, subject to the provisions of the IT Act.

**11.9.4** Income from units of Mutual Funds specified under clause 10(23D) is exempt from tax under section 10(35) of the Income Tax Act, 1961. However, the Finance Act 2018 amended the said provision by imposing tax on distributed income from open-ended equity oriented mutual funds at the rate of ten percent (Section 115BBB). Further, it has been clarified that income arising from transfer of units of Mutual Fund shall not be exempt under section 10(35).

**11.9.5** Earlier, as per section 40(a)(ib) of the Income Tax Act, 1961, any sum paid on account of STT will not be allowed as deduction in computing the income under the head “Profit and gains of business or profession” However, this provision was applicable only up to assessment year 2008-09. With effect from April 1, 2009, the said clause has been deleted. From the assessment year 2009-10, where income referred to above is treated as Business Income, the person is eligible for deduction u/s 36(1)(xv), for the amount of STT paid.

Rates of taxation for the Financial Year 2019-20 are as given below:

**Individuals, HUF, AOP & BOI:**

<b>Particulars</b>	<b>Tax Rate (Without Surcharge)</b>
Up to Rs. 2,50,000	Nil
Rs. 2,50,001 - Rs. 5,00,000	5%
Rs. 5,00,001 - Rs. 10,00,000	20%
Rs. 10,00,001 onwards	30%

**Resident Individual whose age is 60 years or more but less than 80 years:**

<b>Particulars</b>	<b>Tax Rate (Without Surcharge)</b>
Up to Rs. 3,00,000	Nil
Rs. 3,00,001 - Rs. 5,00,000	5%
Rs. 5,00,001 - Rs. 10,00,000	20%
Rs. 10,00,001 onwards	30%

**Resident Individual whose age is 80 years or more:**

<b>Particulars</b>	<b>Tax Rate (Without Surcharge)</b>
Up to Rs. 5,00,000	Nil
Rs. 5,00,001 - Rs. 10,00,000	20%
Rs. 10,00,001 onwards	30%

**Note 1** - Finance Act, 2019 provides a rebate of lower of actual tax liability or Rs. 12,500 (against earlier rebate of R. 2,500) in case of individuals having total income of less than Rs. 5,00,000(against earlier total income of 3,50,000).

**Note 2** – The above tax rates are further to be increased by Health and Education cess of 4%(As amended by Finance Act 2018) and Surcharge wherever applicable.

**Note 3** – (i) The amount of income-tax shall be increased by a surcharge at the rate of 10% of such tax, where total income exceeds fifty lakh rupees but does not exceed one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds fifty lakh rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of fifty lakh rupees by more than the amount of income that exceeds fifty lakh rupees).

ii) The amount of income-tax shall be increased by a surcharge at the rate of 15% of such tax, where total income exceeds one crore rupees but doesn't exceed two crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

iii) The amount of income-tax shall be increased by a surcharge at the rate of 25% of such tax, where total income exceeds two crore rupees but doesn't exceed five crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds two crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of two crore rupees by more than the amount of income that exceeds two crore rupees).

iv) The amount of income-tax shall be increased by a surcharge at the rate of 37% of such tax, where total income exceeds five crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds five crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of five crore rupees by more than the amount of income that exceeds five crore rupees).

**Partnership Firm (Including LLP's):**

A partnership firm (including LLP) is taxable at 30%.

**Note 1** - The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

**Note 2**- Health and Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge

**Local Authority:**

A local authority is taxable at 30%.

**Note - 1:** The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

**Note - 2:** The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

**Domestic Company:**

For the assessment year 2019-20, a domestic company is taxable at 30%. However, the tax rate would be 25% if turnover or gross receipt of the company does not exceed Rs. 250 crore in the previous year 2016-17.

For the assessment year 2020-21, a domestic company is taxable at 30%. However, the tax rate would be 25% if turnover or gross receipt of the company does not exceed Rs. 400 crore in the previous year 2017-18.

**Note - 1:** The amount of income-tax shall be increased by a surcharge at the rate of 7% of such tax, where total income exceeds one crore rupees but not exceeding ten crore rupees and at the rate of 12% of such tax, where total income exceeds ten crore rupees. However, the surcharge shall be subject to marginal relief, which shall be as under:

(i) Where income exceeds one crore rupees but not exceeding ten crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

(ii) Where income exceeds ten crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of ten crore rupees by more than the amount of income that exceeds ten crore rupees.

**Note - 2:** The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

**Foreign Company:**

<b>Sr. No</b>	<b>Nature of Income Tax</b>	<b>Tax Rate</b>
1.	Royalty received from Government or an Indian concern in pursuance of an agreement made with the Indian concern after March 31, 1961, but before April 1, 1976, or fees for rendering technical services in pursuance of an agreement made after February 29, 1964 but before April 1, 1976 and where such agreement has, in either case, been approved by the Central Government	50%
2.	Any other income	40%

**Note -1:** The amount of income-tax shall be increased by a surcharge at the rate of 2% of such tax, where total income exceeds one crore rupees but not exceeding ten crore rupees and at the rate of 5% of such tax, where total income exceeds ten crore rupees. However, the surcharge shall be subject to marginal relief, which shall be as under:

(i) Where income exceeds one crore rupees but not exceeding ten crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

(ii) Where income exceeds ten crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of ten crore rupees by more than the amount of income that exceeds ten crore rupees.

**Note - 2:** The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

Co-operative Society:

Co-operative societies shall be taxed at the following rates:

Sr. No	Taxable income	Tax Rate
1.	Up to Rs. 10,000	10%
2.	Rs. 10,000 to Rs. 20,000	20%
3.	Above Rs. 20,000	30%

Note - 1: The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

Note - 2: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

#### **11.10 LOSSES UNDER THE HEAD BUSINESS INCOME**

In terms of section 70 read with section 74 of the Income Tax 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.

#### **11.11 DIVIDEND STRIPPING**

According to section 94(7) of the Income Tax Act, 1961, if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of dividend or distribution of income and sells or transfers the same within a period of nine months from such record date, then capital losses arising from such sale to the extent of income received or receivable on such units, which are exempt under the Income Tax Act, 1961, will be ignored for the purpose of computing his income chargeable to tax.

#### **11.12 BONUS STRIPPING**

Where any person buys or acquires any units of a mutual fund or the Unit Trust of India within a period of three months prior to the record date (i.e., the date that may be fixed by a Mutual Fund or the Administrator of the specified undertaking or the specified company, for the purposes of entitlement of the holder of the units to receive additional unit without any consideration) and such person is allotted additional units (without any payment) on the basis of holding of the aforesaid units on the record date, and if such person sells or transfers all or any of the original units within a period of nine months after the record date while continuing to hold all or any of the additional units, then any loss arising to him on account of such purchase and sale of all or any of the units would be ignored for the purpose of computing his income chargeable to tax. Further, the loss so ignored would be deemed to be the cost of acquisition of such additional units as are held by him on the date of sale or transfer of original units.

### **12. ACCOUNTING POLICIES**

**12.1** The company shall maintain a separate Portfolio record in the name of the client in its book for accounting the assets of the client and any receipt, income in connection therewith as provided under SEBI (Portfolio Managers Regulations 1993).

**12.2** For every Client Portfolio, the Company shall keep and maintain proper books of accounts, records and documents, for the Client, on mercantile system of accounting, so as to explain its transactions and to disclose at any point of time the financial position of the Client Portfolio and Financial Statements and in particular give a true and fair view of the state of affairs.

Following Accounting Policies are proposed to be followed for the purpose of maintaining books of accounts, records for the client.



- 12.3** For the purposes of the financial statements, the Company shall mark all investments to market and carry investments in the balance sheet at cost.
- 12.4** Dividend income earned by a Client shall be recognized, not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments, which are not quoted on a stock exchange, dividend income shall be recognized on the date of receipt.
- 12.5** 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 paid for the period from the last interest due date upto 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.
- 12.6** 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.
- 12.7** 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.
- 12.8** Bonus shares to which the Client becomes entitled shall be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
- 12.9** 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.
- 12.10** The cost of investments acquired or purchased shall include brokerage, stamp duty and any charge customarily included in the broker's bought note excluding STT.
- 12.11** In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment.
- 12.12** All other expenses payable by the client shall be accrued as and when liability is incurred.
- 12.13** Investments in listed equity and debt instruments will be valued at the closing market prices on the Bombay Stock Exchange (BSE). If the securities are not traded on the BSE on the valuation day, the closing price of the security on the National Stock Exchange will be used for valuation of securities. In case of the securities are not traded on the valuation date, the last available traded price shall be used for the valuation of securities. Investments in units of Mutual Funds shall be valued at the repurchase price of the previous day declared for the relevant Portfolio on the date of the report.
- 12.14** Open positions in derivative transactions, will be marked to market on the valuation day.

- 12.15** Unrealised gain/losses are the differences, between the current market value / Net Asset Value and the historical cost of the securities.
- 12.16** Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction should be recorded, in the event of a purchase, as of the date on which the Portfolio obtains an 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 instruments sold.
- 12.17** Investment Management fees would be calculated on daily weighted average AUM and charged on quarterly basis on the first day of subsequent quarter.
- 12.18** The Portfolio Manager and the client can adopt any specific norms or methodology for valuation of investments or accounting the same as may be mutually agreed between them on a case specific basis.
- 12.19** In case of corpus received in form of stock, the same is accounted for in PMS books on the date of activation of the client account and is valued at the closing price of the stock on the date of activation of the client account. Accordingly, the date of activation of the account as aforesaid shall be construed as the date of acquisition and the cost as stated above is considered as cost of acquisition for the purpose of computing gains/returns.

### 13. INVESTOR SERVICES

#### i. Name, Address and Telephone Number of the Investor Relation Officer, who shall attend to the investor queries and complaints.

Name : Saurabh Patel  
Address : 201, Dev Neo Vikram, Sahakar Nagar CHS, New Link Road,  
Andheri - (West), Mumbai – 400053  
Telephone : 91-22- 40824242  
Fax : 91-22- 40824200 Email: pms@jhpsecurities.com

#### ii. Grievance redressal and dispute settlement mechanism

The Investment Relation Officer(s) will be the interface between the Portfolio Manager and the Client. The Investment Relation Officer(s) shall be responsible for redressing the grievances of the Clients.

All disputes, differences, claims and questions whatsoever arising from (i) the Agreement between the Client and the Portfolio Manager and (ii) the services to be rendered by the Portfolio Manager and / or their respective representatives shall be attempted to be resolved by discussions between the parties and amicable settlement. In case the disputes remain unsettled, the same shall be referred to a sole arbitrator and such arbitration shall be in accordance with and subject to the provisions of The Arbitration and Conciliation Act, 1996, or any statutory modification or re-enactment thereof for the time being in force. Such Arbitration proceedings shall be held at Mumbai.

Date: 1<sup>st</sup> November, 2019

Name and Signature

Of all the Directors of the Portfolio Manager

Place: Mumbai

Sr. No.	Name of Directors	Signature
1.	Vishal Patel	
2.	Saurabh Patel	

**FORM C**

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

**JHP Securities Pvt. Ltd.**

Telephone No: 91-22-40824242

Fax: 91-22-40824200

We confirm that:

- (i) 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;
- (ii) the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us / investment in the Portfolio Management;
- (iii) the Disclosure Document has been duly certified by an Independent Chartered Accountants viz, Mrs. Supriya Panse (Membership No.-046607) of M/s. S. Panse & Co., 9, Three View Society, Opp. Century Bazaar, Veer Savarkar Marg, Mumbai – 400 025 on 1<sup>st</sup> November, 2019

Signature of the Principal Officer

Date: 1<sup>st</sup> November, 2019

Place: Mumbai

Name: **Vishal Patel**  
Designation: **Director**  
**JHP Securities Pvt. Ltd.**  
Address: 201 Dev Neo Vikram,  
Sahakar Nagar CHS,  
New Link Road, Andheri W  
Mumbai – 400 053.

# S Panse & Co LLP

Chartered Accountants

'Formerly S.Panse & Co.'

9, Three View Society, Veer Savarkar Marg, Mumbai-400 025. India. Tel:- 2437 0483 / 84 Email : admin@panse.in

## CERTIFICATE

In the matter of:

**JHP Securities Pvt. Ltd.**

B-201, DevNeo Vikram,  
Sahakar Nagar, New Link Road,  
Andheri (West), Mumbai – 400 053.

On the basis of verification of Disclosure Document and other documents, records, audited Financial Statements as on March 31, 2019 of JHP Securities Pvt. Ltd. and the information and explanation given to us, it is confirmed that:

The disclosure made in the Disclosure Document dated November 1, 2019, copy attached herewith, as required by the SEBI (Portfolio Managers) amendment regulations, 1993 and the guidelines and the directives issued by SEBI from time to time are true, fair and adequate to enable the investors to make a well-informed decision.

  


**Pradnya Shende**

Partner

Membership no. 172845

For & behalf on

**S Panse & Co LLP**

Chartered Accountants

FRN No.: 113470W/W100591

UDIN:19172845AAAAAI4754

Place: Mumbai

Date: November 1, 2019