

## DISCLOSURE DOCUMENT

(As per the requirement of Fifth Schedule of Regulation 14 of Securities and Exchange Board of India (Portfolio Managers) Regulation 1993)

- i) The Disclosure Document has been filed with the Securities & Exchange Board of India along with the certificate in the prescribed format in terms of Regulation 14 of the SEBI (Portfolio Managers) Regulations, 1993.
- ii) The purpose of the Document is to provide essential information about the Portfolio Management Services (PMS) in a manner to assist and enable the investors in making informed decision for engaging Marfatia Stock Broking Pvt Ltd. as a Portfolio Manager.
- iii) The Disclosure Document contains the necessary information about the Portfolio Manager, required by an investor before investing, and hence, the investor may be advised to retain the document for future reference.
- iv) This Document supersedes the Disclosure Document 7
- v) The following are the Details of the Portfolio Manager:

<b>Name of the Portfolio Manager</b>	Marfatia Stock Broking Pvt Ltd
<b>SEBI Registration Number</b>	INP000005117
<b>Registered Office Address</b>	216- Glacier Complex, Jetal pur Road, Near Pizza Bell, Vadodara-390007
<b>Phone</b>	0265 2351355
<b>Fax</b>	02652351468
<b>Website</b>	<a href="http://www.marfatia.net">www.marfatia.net</a>

- vi) The name, phone number, e-mail address of the Principal Officer so designated by the Portfolio Manager is:

<b>Name of the Principal Officer</b>	Mr. Nishil Marfatia
<b>Phone</b>	0265-2351355
<b>Email</b>	<a href="mailto:fromdeskofmd@marfatia.net">fromdeskofmd@marfatia.net</a>
<b>Registered Office Address</b>	216-Galcier Complex, Jetalpur Road, Near Pizaa Bell , Vadodara-390007

**Date: March 31, 2019**

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1) **Disclaimer clause:**

The particulars given in this Document have been prepared in accordance with the SEBI (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 the document. This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person.

2) **Definitions:**

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

- (a) “**Act**” means the Securities and Exchange Board of India Act, 1992 (15 of 1992).
- (b) “**Agreement**” means agreement between Portfolio Manager and its Client and shall include all Schedules and Annexures attached thereto.
- (c) “**Application**” means the application made by the Client to the Portfolio Manager to place its funds and/or securities with the Portfolio Manager for Portfolio Management Services. Upon execution of the Agreement by the Portfolio Manager, the Application shall be deemed to form an integral part of the Agreement. Provided that in case of any conflict between the contents of the Application and the provisions of the Agreement, the provisions of the Agreement shall prevail.
- (d) “**Assets**” means (i) the Portfolio and/or (ii) the Funds.
- (e) “**Body Corporate**” shall have the meaning assigned to it in or under clause (11) of section 2 of the Companies Act, 2013.
- (f) “**Bank Account**” means one or more accounts opened, maintained and operated by the Portfolio Manager with any of the Scheduled Commercial Banks in accordance with the agreement entered into with the Client.
- (g) “**Board**” means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act, 1992.
- (h) “**Client**” means the person who enters into an Agreement with the Portfolio Manager for managing its portfolio and /or funds.
- (i) “**Custodian**” means any person who carries on or proposes to carry on the business of providing custodial services in accordance with the regulations issued by SEBI from time to time.
- (j) “**Depository Account**” means one or more account or accounts opened, maintained and operated by the Portfolio Manager with any depository or depository participant registered under the SEBI (Depositories and Participants) Regulations, 1996 in accordance with the agreement entered into with the Client.
- (k) “**Discretionary Portfolio Management Services**” means the portfolio management services rendered to the Client by the Portfolio Manager on the terms and conditions contained in the

agreement, where under the Portfolio Manager exercises any degree of discretion in the investments or management of assets of the Client.

- (l) **“Discretionary Portfolio Manager”** means a Portfolio Manager who exercises or may, under a contract relating to portfolio management, exercise any degree of discretion as to the investments or management of the portfolio of securities or the funds of the Client, as the case may be.
- (m) **“Document”** means this Disclosure Document.
- (n) **“Financial Year”** means the year starting from April 1 and ending on March 31 of the following year.
- (o) **“Funds”** means the monies managed by the Portfolio Manager on behalf of the Client pursuant to Portfolio Investment Management Agreement and includes the monies mentioned in the Application, any further monies placed by the Client with the Portfolio Manager for being managed pursuant to Portfolio Investment Management Agreement, the proceeds of the sale or other realization of the Portfolio and interest, dividend or other monies arising from the Assets, so long as the same is managed by the Portfolio Manager.
- (p) **“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 described period, invests in respect of the Client’s account in any type of security entirely at the Client’s risk and ensure that all benefits accrue to the Client’s Portfolio.
- (q) **“Parties”** means the Portfolio Manager and the Client; and **“Party”** shall be construed accordingly.
- (r) **“Person”** includes an individual, a Hindu Undivided Family, a corporation, a partnership (whether limited or unlimited), a limited liability company, a body of individuals, an association, a proprietorship, a trust, an institutional investor and any other entity or organization whether incorporated or not, whether Indian or foreign, including a government or an agency or instrumentality thereof.
- (s) **“Portfolio”** means the Securities managed by the Portfolio Manager on behalf of the Client pursuant to the Portfolio Investment Management Agreement and includes any Securities mentioned in the Application, any further Securities placed by the Client with the Portfolio Manager for being managed pursuant to the Portfolio Investment Management Agreement, Securities acquired by the Portfolio Manager through investment of Funds and bonus and rights shares or otherwise in respect of Securities forming part of the Portfolio, so long as the same is managed by the Portfolio Manager.
- (t) **“Portfolio Manager”** shall have the same meaning as given in regulation 2(cb) of the SEBI (Portfolio Managers) Regulations, 1993 as amended from time to time.
- (u) **“Principal Officer”** means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager.
- (v) **“Qualified Client”** means any Person (being over the age of 18 in the case of a natural person) (i) who is a fit and proper person, (ii) complies with know your client (KYC/CKYC) norms stipulated by the Investment Manager and SEBI, (iii) has not been convicted of any offence, (iv) has a sound financial standing and credit-worthiness, and (v) is willing to execute necessary documentation as stipulated by the Portfolio Manager and other than any Person, which cannot

subscribe to the strategy without being in breach of any law or requirement of any country or governmental authority in any jurisdiction whether on its own or in conjunction with any other relevant circumstances.

- (w) “**Regulations**” means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, as may be amended from time to time.
- (x) “**Scheduled Commercial Bank**” means any bank included in the second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934).
- (y) “**SEBI**” means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the SEBI Act.
- (z) “**Securities**” includes: “Securities” as defined under the Securities Contracts (Regulation) Act, 1956 as amended from time to time and includes:
- (i) Shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;
  - (ii) derivative;
  - (iii) units or any other instrument issued by any collective investment scheme to the investors in such schemes;
  - (iv) security receipt as defined in clause (zg) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
  - (v) units or any other such instrument issued to the investors under any mutual fund scheme;
  - (vi) any certificate or instrument (by whatever named called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt;
  - (vii) Government securities;
  - (viii) such other instruments as may be declared by the Central Government to be securities;
  - (ix) rights or interest in securities;

Words and expressions used in this disclosure document and not expressly defined shall be interpreted according to their general meaning and usage. The definitions are not exhaustive. They have been included only for the purpose of clarity and shall in addition be interpreted according to their general meaning and usage and shall also carry meanings assigned to them in regulations governing Portfolio Management Services.

### 3) **Description:**

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

Marfatia Stock Broking Pvt Ltd (“MSBPL”) is company incorporated under the Companies Act, 1956 on 03<sup>rd</sup> October ,2002 having its registered office 216- 219, Glacier Complex, Jetalpur Road, Vadodara, Gujarat-390007.

Mr. Nishil Surendra Marfatia started his business of stock broking under the trade name of M/s Marfatia Associates. He is proprietor of the company and acquired membership of Vadodara Stock Exchange Ltd (Regional Stock Exchange). In 1999-2000 he became a sub broker of VSE Stock services Limited which is a subsidiary of Vadodara Stock Exchange Limited.

Then, in the year 2003 he promoted a company called Marfatia Stock Broking Pvt. Ltd. and acquired membership of Bombay Stock Exchange Limited, National Stock Exchange Limited

(Cash & F&O segment both). The company also became Depository Participant of CDSL (INDIA) Ltd. in the year 2005.

Marfatia Stock Broking was registered with SEBI as Portfolio Manager on 26<sup>th</sup> May 2016 vide registration Number:INP000005117.

The company has expanded its territories from Vadodara city of Gujarat to other major cities, town of Gujarat state. With in such short span of business company somehow manages to registered more than 150 sub brokers and 9 branches in major cities of Gujarat.

During the year 2010, company has received award from Service Tax Dept. Gujarat, Central government for paying highest service tax in the year 2008-09

The company feels proud for employing as many as 50 people under the roof of Marfatia Stock Broking Private Limited.

Last but not the least, the company being well known broking house and can find place in top three broking house in the city of Vadodara, state of Gujarat.

The Goal of the company is not to be the top broking house of the Gujarat but wants to be one of the leading brokerage houses at National level.

### **Promoters of the Portfolio Manager, Directors and their background:**

#### **Promoter:**

**Name: Mr. Nishil Surendrabhai Marfatia**

**Designation: Managing Director**

With his sharp business acumen and the entrepreneurial skills & With 25 years of involvement in the finance field, handling of trading related operations within the organization. With experience in handling Trading Desk, his dynamic approach of keeping abreast with the upcoming trading software and technology and implementing them for the benefit of the company and clients has yielded fruitful results. Not relying on the continuation of a simple mundane experience within the organization, he keeps on challenging his risk taking abilities and strives to bring something unique which would be beneficial to the clients. The analysis of upcoming market and trading trends has been his core strength. He believes in a magnanimously generous investment in infrastructure and employees; ultimately benefiting the organization and the clients alike.

Qualification: B.Com.

#### **Certifications:**

NISM Series I: Currency Derivatives Certification Examination,  
NISM Series-III-A: Securities Intermediaries Compliance(Non-Fund) Certification Examination  
NISM Series VI: Depository Operations Certification Examination  
NISM Series VII: Securities Operations and Risk Management Certification Examination,  
NISM-Series-VIII: Equity Derivatives Certification Examination  
NISM Series-XV: Research Analyst Certification Examination  
MCX Certified Commodities Professional (MCCP)

#### **Job Experience in capital market:**

He worked as trainee under Ashok Ratilal Choksey, Director of Kishan Ratilal Choksey Private Limited, one of the leading brokers of India during year 1991-92.

#### **Business Experience:**

He started his business under the Trade name of M/S Marfatia Associates. He is proprietor of the firm. In 1992, he acquired membership of Vadodara Stock Exchange Limited (Regional Stock Exchange) and in the year 1999-2000 he became sub broker of VSE Stock Services Limited which is subsidiary of Vadodara Stock Exchange Limited. He was a batch holder to enter in the Ring to execute Trades on behalf of clients.

He became Managing Director of Marfatia Stock Broking Private Limited and also of Marfatia Commodities Private Limited, since incorporation of the company.

As Managing Director of the company has abandon experience in all the segments of the capital market such as Cash Segment, Equity Derivatives and Currency Derivative segment & in Commodity Derivative Segment. Not only has that he had also having very good knowledge of finance.

He is involved in Portfolio Management Services by analyzing financials and technical analysis of various Companies.

**Directors and their background:**

<p>Mr.SURENDRA MANGALDAS MARFATIA: Designation: Chairman</p>	<p>Diploma Electrical and Mechanical Engg</p>	<p>From 1999-2003 in Marfatia Associates as Investor grievance cell officer. From 2003-2016 in Marfatia Stock Broking Pvt Ltd as a Chairman He is a Chairman of Marfatia Stock Broking Private Limited and also of Marfatia Commodities Private Limited since incorporation of the company. The Chairman of the company has rich experience in all the segments of the capital market such as cash segment, F&amp;O segment (equity, currency) &amp; in commodity market as well.</p>
<p>Mrs. Shreya Nishil Marfatia Designation: Director</p>	<p>B.Com</p>	<p>She is Director of Marfatia Stock Broking Pvt. Ltd. &amp; Marfatia Commodities Pvt. Ltd. since Incorporation. She is having experience in all the segments of the capital market such as Cash Segment, Equity Derivatives and Currency Derivative segment &amp; in Commodity Derivative Segment. She is involved in administration, operations &amp; HR</p>
<p>Mr. Nishil Surendrabhai Marfatia Designation:Managing Director</p>	<p>B.Com</p>	<p>He started his business under the Trade name of M/S Marfatia Associates. He is proprietor of the firm. In 1992, he acquired membership of Vadodara Stock Exchange Limited (Regional Stock Exchange) and in the year 1999-2000 he became sub broker of VSE Stock Services Limited. He became Managing Director of Marfatia Stock Broking Private Limited and also of Marfatia Commodities Private Limited, since incorporation of the company. As Managing Director of the company has abandon experience in all the segments of the capital market such as Cash Segment, Equity Derivatives and Currency Derivative segment &amp; in Commodity Derivative Segment. Not only has that he had also having very good knowledge of finance. He is involved in Portfolio Management Services by analyzing financials and technical analysis of various Companies</p>

ii) **Group company information (i.e. information related to top 10 Group Companies / firms of the Portfolio Manager on turnover basis) (as per the audited financial statements for the year ended March 2019):**

1. Marfatia Commodities Pvt Ltd

iii) **Details of the services being offered:**

a) **Discretionary Services:**

Under these services, the choice as well as the timings of the investment decisions rest solely with the Portfolio Manager and the Portfolio Manager can exercise any degree of discretion in the investments or management of assets of the Client. The Securities invested / disinvested by the Portfolio Manager for Clients may differ from Client to Client. The Portfolio Manager's decision (taken in good faith) in deployment of the Client's fund's 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 at any time thereafter except on the ground of fraud, malafide, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, Regulations, guidelines and notifications in force from time to time. Periodical statements in respect to Client's Portfolio shall be sent to the respective Client.

Based on the Client's profile, overall investment objective and other relevant factors, the Portfolio of the Clients are at present managed under one or more of the following Investment Strategies:

- (1) All weather
- (2) Emerging Opportunity
- (3) Front Runner

b) **Non - Discretionary Services:**

Under the Non-Discretionary Portfolio Management Services, the portfolio of the Client shall be managed in consultation with the Client. Under this service, the Assets will be managed as per express prior instructions issued by the Client from time to time. The Client will have complete discretion to decide on the investment (Stock Quantity and Price or amount). The Portfolio Manager inter alia manages transaction execution, accounting, recording or corporate benefits, valuation and reporting aspects on behalf of the Client entirely at the Client's risk.

c) **Advisory Services:**

Under these services, the Portfolio Manager advises the Client on investments in general or any specific advice required by the Clients and agreed upon in the Client agreement. The Portfolio Manager will render the best possible advice to the client having regard to the client's needs and the environment, and his own professional skills. The same can be binding or non - binding in nature or in such terms as mentioned in the Client agreement. For such services, the Portfolio Manager charges the Client a fee for services rendered mentioned in the Client agreement. The advice may be either general or specific in nature and may pertain to a particular portfolio. Entry / exit timing, execution and settlement are solely the Client's responsibility.

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

1. All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Regulations made there under relating to Portfolio Management Services.

None

2. The nature of the penalty/direction.

None



3. Penalties imposed for any economic offence and/or for violation of any securities laws relating to Portfolio Management Services.

**None**

4. Any pending material litigation/legal proceedings against the Portfolio Manager/key personnel with separate disclosure regarding pending criminal cases, if any.

**None**

5. Any deficiency in the systems and operations of the Portfolio Manager observed by the Board or any regulatory agency in relation to Portfolio Management Services for which action may have been taken or initiated.

**None**

6. 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 Regulations made there under relating to Portfolio Management Services.

**Details as on March 31<sup>st</sup>, 2019 are provided as an Annexure A.**

#### **5) Services offered:**

The Portfolio Manager manages the Assets of the Client using the following Strategies:

##### **All weather**

##### **Investment Objective:**

The strategy aims to generate long term sustainable returns by investing in equity across all market capitalization with combination of value and growth style and which are available at reasonable prices. It provides diversification, better risk adjusted return and flexibility to hold on any winners irrespective of the market capitalisation.

Classification: Multicap

Benchmark: BSE500

Minimum Investment: Rs. 25 Lakh

##### **Emerging Opportunity**

##### **Investment Objective:**

The strategy aims to generate long term capital appreciation by investing in quality small to medium size scalable businesses with higher focus on midcaps. Our endeavour is to identify and invest in these companies to create long term wealth creation by following mix of top down and bottom up research methodology.

Classification: Market capitalisation up to Rs. 7500 cr.

No. Of stocks: 25

Benchmark: BSE Midcap

Minimum Investment: Rs. 25 Lakh

##### **Front Runner**

##### **Investment Objective:**

The strategy aims to generate long term returns by investing in large cap companies across the leading sectors. Typically these companies have experienced peak and trough cycles. The main objective of this strategy is to identify and invest in growth companies with existing or potential to be a leader in their respective industry

Classification: Market capitalisation over Rs. 7500 cr.

No. Of Stocks: 15

Benchmark: Sensex

Minimum Investment: Rs. 25 Lakh

Apart from Discretionary Portfolio Management Services, the Portfolio Manager also offers Non-Discretionary Portfolio Management Services wherein the choice as well as the timings of the investment decisions rest solely with the Client. The Portfolio Manager manages the Assets of the Client in accordance with the directions given by the Client. Further the Portfolio Manager also offers Advisory Portfolio Management Services wherein the Portfolio Manager only renders investment advice to the Client in respect of securities. Discretion to execute the transactions and responsibility for execution /settlement of the transactions lies solely with the Client.

#### 6) **Risk Factors:**

The investments made in securities are subject to market risk and there is no assurance or guarantee that the objectives of investments will be achieved. Following are the risk factors as perceived by management:

- Investment in equities, derivatives and mutual funds and Exchange Traded Index Funds are subject to market risks and there is no assurance or guarantee that the objective of investments will be achieved.
- As with any investment in securities, the Net Asset Value of the portfolio can go up or down depending upon the factors and forces affecting the capital markets.
- The performance of the portfolio may be affected by changes in Government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems in equity and debt markets.
- The past performance of the Portfolio Manager does not indicate its future performance. Investors are not being offered any guaranteed returns.
- The performance of the Assets of the Client may be adversely affected by the performance of individual securities, changes in the market place and industry specific and macro economic factors. The investment strategies are given different names for convenience purpose and the names of the Strategies do not in any manner indicate their prospects or returns.
- Investments in debt instruments and other fixed income securities are subject to default risk, liquidity risk and interest rate risk. Interest rate risk results from changes in demand and supply for money and other macroeconomic factors and creates price changes in the value of the debt instruments. Consequently, the Net Asset Value of the portfolio may be subject to fluctuation.
- Investments in debt instruments are subject to reinvestment risks as interest rates prevailing on interest amount or maturity due dates may differ from the original coupon of the bond, which might result in the proceeds being invested at a lower rate.
- The Portfolio Manager may invest in non-publicly offered debt securities and unlisted equities. This may expose the Client's portfolio to liquidity risks.
- The Portfolio Manager may use derivatives instruments like index futures, stock futures and options contracts, warrants, convertible securities, swap agreements or any other derivative instruments for the purpose of hedging and portfolio balancing, as permitted under the Regulations and guidelines. Usage of derivatives will expose the Portfolio to certain risks inherent to such derivatives. As and when the Portfolio Manager deals in the derivatives market on behalf of the Client, there are risk factors and issues concerning the use of derivatives that investors should understand.

- Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but of the derivative itself. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the “counter party”) to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value.
- There are inherent risks arising out of investment objectives, investment strategy, asset allocation and non-diversification of portfolio.
- The Net Asset Value may be affected by changes in settlement periods and transfer procedures.

## 7) Client Representation:

### i) Details of Client’s accounts activated:

	Category of Clients	Total No. of Clients	Funds Managed (Rs. Cr.)	Discretionary/ Non Discretionary
i)	Associates /group companies ( Last 3 Years)			
	2016-17	1	0.277	Discretionary
	2017-18	1	0.344	Discretionary
	2018-19	1	0.363	Discretionary
ii)	Others: (last 3 years)			
	2016-17	6	1.982	Discretionary
		0	0	Non - Discretionary
	2017-18	8	3.065	Discretionary
		0	0	Non - Discretionary
	2018-19	24	8.612	Discretionary
		0	0	Non - Discretionary

“Funds Managed” indicates market value of Assets under Management.

The above figures are given in compliance with amendment to the SEBI (Portfolio Managers) Regulations, 1993 dated August 11, 2008.

### ii) Transactions with related parties are as under:

- The Portfolio Manager uses the broking services of Marfatia Stock Broking Pvt Ltd. who is member of BSE and NSE in Cash, Derivatives & Currency.
- Names of related parties and nature of relationship (as on March 31, 2018) are as under:



- Transactions with related parties for the year-ended March 31, 2018 (amount in Rupees):

## 1) Remuneration of Directors and Key Managerial Personnel

### A. Remuneration to Managing Director, Whole-time Director and/ or Manager

Sr No	Particular of Remuneration	Name of MD/ WTD/ Manager			Total Amount
		Surendra Marfatia	Nishil Marfatia	Shreya Marfatia	
	Name of MD/ WTD/ Manager				
1.	Gross salary	1,95,000	66,00,000	18,00,000	<b>85,95,000</b>
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	-	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961.	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961.	-	-	-	-
2	Stocks Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- As % of profit	-	-	-	-
	- Other , specify	-	-	-	-
5	Others, Please specify	-	-	-	-
	Total (A)	1,95,000	66,00,000	18,00,000	<b>85,95,000</b>
	Ceiling as per the Act	-	-	-	-

### 2. Details of material contracts or arrangement or transactions **at arm's length basis:**

Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangement/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	date(s) of approval by the Board	Amount paid as advances, if any
Tejal Marfatia (Son of a Director)	Salary	01.04.2017 to 31.03.2018	Rs. 654000	-	-
Nishil Marfatia (Director)	Rent	01.04.2017 to 31.03.2018	Rs. 1440000	-	-
Shreya Marfatia (Director)	Rent	01.04.2017 to 31.03.2018	Rs. 240000	-	-

**8) The Financial Performance of Portfolio Manager (Based on audited financial Statements)**  
Financial highlights of Marfatia Stock Broking Pvt Ltd. for the last 2 years are given as under:

Particulars	Year ended	Year ended
	March 31, 2018	March 31, 2017
	(Amount In Rs)	(Amount In Rs)
Profit/(Loss) before depreciation & tax & After Exceptional & Extraordinary Items (Net of Tax)	57051676	26622703
Less: Depreciation	2801169	2595372
Less: Provision for tax	13704928	9077869
Less/(Add): MAT credit entitlement	-	153.09
Less/(Add): Deferred Tax	(295820)	(252870)
Less: Fringe Benefit Tax	-	-
Less: Wealth Tax	-	-
Less/(Add): Provision for Tax (for previous years)	8085	-
Profit/(Loss) for the year after tax	46435653	20393076
<b>Balance carried to Balance Sheet</b>	<b>46435653</b>	<b>20393076</b>

**9) Portfolio Management performance of the Portfolio Manager for the last 3 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) Regulation 1993**

**STRATEGY WISE RETURNS ( in % )**

Sr. No.	Strategy Name	Benchmark Index	From 1 St September to 31 <sup>st</sup> March		FY 2018-19		FY 2017-18		FY 2016-17	
			Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
1	All Weather	BSE 500	3.22%	5.85%	7.12%	8.07%	16.60%	11.46%	3.74%	6.68%
2	Emerging Opportunity	BSE MIDCAP	NA	NA	NA	NA	NA	NA	NA	NA
3	Front Runner	SENSEX	NA	NA	NA	NA	NA	NA	NA	NA

Note:

- Category wise return in each portfolio is calculated based on simple average of all such client returns which in turn has been calculated using weighted average return method after adjusting for inflows and outflows during the period. The performance of clients which were live during the period is considered.
- Returns are after charging fees and expenses.

## 10) Nature of expenses:

### i) Investment Management & Advisory Fees:

Investment Management and Advisory fees charged may be a fixed fee or a return based fee or a combination of both as detailed in the Schedule to the Portfolio Management Services agreement. The Fees may be charged upfront and/or at the end of a specified tenure as agreed between the Client and the Portfolio Manager.

### ii) Custodian Fees: As may be decided between the Client and the Portfolio Manager

### iii) Registrar & Transfer Agent Fees: NIL

### iv) Brokerage & Transaction Cost:

The investments under Portfolio Management would be done through registered members of the Stock Exchange(s) who charge brokerage up to a maximum of 2.5% of contract value. In addition to the brokerage, transaction cost like network charges, turnover charges, stamp duty, transaction costs, turnover tax, Securities transaction tax or any other tax levied by statutory authority (ies), foreign transaction charges (if any) and charges on the purchase and sale of shares, stocks, bonds, debt, deposits, other financial instruments would also be levied by the broker (including Marfatia Stock Broking Pvt Ltd.) Entry or exit loads (if any) on units of Mutual Funds will also be charged from Clients.

### v) Goods and Service Tax:

As applicable from time to time.

### vi) Depository Charges:

As may be applicable from time to time.

### vii) Entry Load /Exit Load

As may be mutually agreed to between the Client and the Portfolio Manager

### viii) Certification and professional charges:

Charges payable for out sourced professional services like accounting, auditing, taxation and legal services etc. for documentation, notarisations, certifications, attestations required by bankers or regulatory authorities including legal fees etc.

### ix) Incidental expenses:

Charges in connection with day-to-day operations like courier expenses stamp duty, service tax, postal, telegraphic, opening and operation of bank account, distribution charges or any other out of pocket expenses as may be incurred by the Portfolio Manager.

Investors may note that, the fees/ expenses that may be charged to Clients mentioned below are indicative only. The same will vary depending upon the exact nature of the services to be provided to investors.

### **PMS FEE**

Fee structures are as follows

- A) A fixed management fee of 2.5% per annum charged quarterly on average NAV, Upfront Fees 1%
- B) A fixed management fee of 1.5% per annum charged quarterly on average NAV plus a 20% share of profits above hurdle Rate of 12% per annum.

**Exit Load:** Exit within 12 months from date of Investment - 2%, Exit after 12 months - nil

### **Other Expenses**

Brokerage on buying/selling, depository charges, bank charges, legal and statutory charges, Custodial and other transaction related expenses would be charged at actual and would be debited from the portfolio management account.

### **Note:**

- a. Average daily portfolio value means the value of the portfolio of each client determined in accordance with the relevant provisions of the agreement executed with the client and includes both realized and unrealized gains/losses.
- b. The Portfolio Manager may also be entitled to recover transaction fee, brokerage charges, demat fees, and/or disbursement made in respect of the investments (and/or disbursements) and/or any incidentals in the form of stamp duties, registration charges, professional fees, legal fees, consultancy charges, service charges etc. and such other expenses, duties, charges incurred on behalf of the Client on account of the Service provided to him/her/it.

## **11) Taxation**

The following information is based on the law in force in India at the date hereof. The information set forth below is based on the Portfolio Manager's understanding of the Tax Laws as of this date of Disclosure Document. The client should seek advice from his/her/its own professional advisor if he/she/it is in any doubt regarding the taxation consequences of investing in the Products offered under Portfolio Management Services.

### **Income Tax:**

The maximum tax rates applicable to different categories of assesses are as follows:

Resident individual & HUF	30% + surcharge & cess
Partnership Firms & Indian Companies (other than specified companies below)	30% + surcharge & cess
Indian Companies having turnover less than 50 crores during the financial year 2016-17	25% + surcharge & cess
Non-resident Indians	30% + surcharge & cess
Foreign companies	40% + surcharge & cess
W.e.f.1 <sup>st</sup> April 2018 Health & Education Cess is 4%..	

Assesses	Rate of surcharge & Cess applicable
Individuals (including NRIs/PIOs), HUFs, Non-Corporate FIIs	A surcharge of 10% on income tax if income is above Rs. 50 lakh but below Rs. 1 crore. For income above Rs. 1 crore surcharge shall be 15 % on income tax (on income above 1 crore). Health & Education cess of 4% is payable on the total amount of tax including surcharge.
Companies where the taxable income more than Rs. 1 crores and upto Rs. 10 crore	A surcharge of 7% on income tax and Health & Education cess of 4% is payable on the total amount of tax including surcharge. (A surcharge of 2% in case of foreign companies).
Companies where the taxable income is more than Rs. 10 Crore	A surcharge of 12% on income tax (on income above 10 crores) and Health & Education cess of 4% is payable on the total amount of tax including surcharge.(a surcharge of 5% in case of foreign companies).

The Dividend received in respect of the shares and units of Mutual Fund held in the Products offered under the Portfolio Management Services are exempt from tax in the hands of investor.

However, if the aggregate dividend income accrued/ received by an individual or a firm (from domestic companies only) resident in India, exceeds Rs. 10 lakhs, such excess of the aggregate dividend income accrued/ received shall be chargeable to tax at the rate of 10% (plus applicable surcharge and education cess).

However, the dividend/income distribution on securities and units received by Products offered under the Portfolio Management Services will be after distribution tax on the amount of dividend/income distribution declared.

The rates of tax on the dividend/ income distribution on units would be as under:

# +Applicable Surcharge+ Health & Education Cess (4% w.e.f 1.04.2018) as applicable

## Capital Gains Tax

### (a) Long Term

#### For Individuals, HUF, Partnerships Firm and Indian Companies

From October 1, 2004 in case of listed equity shares and securities and units of equity oriented schemes sold on a recognized stock exchange, which are subject to Securities Transaction Tax (currently 0.001% for units of equity oriented scheme and 0.1% on equity shares), the tax on Long Term Capital Gain would be 10% if Capital gain is more than Rs.1Lac with a grandfathering clause. Long term capital gains in respect of other listed securities or units would be subject to tax at the lower of 20% (plus surcharge and education cess) of the gains computed after cost indexation, or 10% (plus surcharge and education cess) of the gains computed without cost indexation.

### (b) Short Term

**For Resident Individuals, HUF, Partnerships Firm and Indian Companies** Short-term Capital Gains is added to the total income. Total income including short-term capital gain is chargeable to tax as per the relevant slab rates. However, tax on short term capital gains on sale of shares and units of equity oriented funds on a recognized stock exchange, which are subject to Securities Transaction Tax, would be @ 15% (plus applicable surcharge and an education cess).



### **Provisions regarding Dividend income and Bonus**

According to the provisions of Section 94(7) of the Act, losses arising from the sale/redemption of units purchased within 3 months prior to the record date (for entitlement of dividends) and sold within 9 months after such date, is disallowed to the extent of income on such units (claimed as tax exempt).

According to the provisions of Section 94(8) of the Act, if an investor purchases units within 3 months before the record date (for entitlement of bonus) and sells/redeems the units within 9 months after that date, and by virtue of holding the original units, he becomes entitled to bonus units, then the loss arising on transfer of original units shall be ignored for the purpose of computing his income chargeable to tax. In fact, the loss so ignored will be treated as cost of acquisition of such bonus units.

### **Tax Deduction at Source**

TDS is deductible on interest income and would be deducted by the issuer of such security.

### **12) Accounting Policies:**

The following Accounting policy will be applied for the investments of Clients:

Investments in Equities, Mutual funds, Exchange Traded Funds and Debt instruments will be valued at closing market prices of the exchanges (BSE or NSE as the case may be) or the Repurchase Net Asset Value declared for the relevant scheme on the date of the report or any cut-off date or the market value of the debt instrument at the cut off date. Alternatively, the last available prices on the exchange or the most recent NAV will be reckoned. In case of structured products, the portfolio will be valued at the face value of the product until the expiry of the tenure.

- a) Realized gains/ losses will be calculated by applying the first in / first out principle. 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.
- b) For derivatives and futures and options, unrealised gains and losses will be calculated by marking to market the open positions.
- c) Unrealised gains/losses are the differences in between the current market values/NAV and the historical cost of the securities.
- d) Dividend on equity shares and interest on debt instruments shall be accounted on accrual basis. Further Mutual Fund dividend shall be accounted on receipt basis. Other income like bank interest, interest on FD etc. shall also be accounted on receipt basis.
- e) Bonus shares shall be recognised only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
- f) Right entitlement shall be recognised only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.
- g) The cost of investment acquired or purchased shall include brokerage, stamp duty and any charge customarily included in the brokers cost note/bought note.

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

**13) Investors Services:**

**(i) Details of investor relation officer who shall attend to the investor queries and complaints is mentioned herein below:**

Name of the person	Mr. Chintan Majmundar
Designation	Head – Compliance
Address	216- Glacier Complex, Jetal pur Road, Near Pizza Bell, Vadodara-390007
Email	<a href="mailto:compliance@marfatia.net">compliance@marfatia.net</a>
Telephone	0265-2351355

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

- The Investment Relation Officer(s) will be the interface between the Portfolio Manager and the Client. In case the Client is not satisfied with the redressal by the Portfolio Manager or otherwise, the Client may lodge the complaint on SEBI's web based complaints redress system (SCORES).
- Grievances, if any, that may arise pursuant to the Portfolio Investment Management Agreement entered into shall as far as possible be redressed through the administrative mechanism by the Portfolio Manager and are subject to SEBI (Portfolio Managers) Regulations 1993 and any amendments made thereto from time to time. However, all the legal actions and proceedings are subject to the jurisdiction of court in Mumbai only and are governed by Indian laws.

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

All disputes, differences, claims and questions whatsoever arising between the Client and the Portfolio Manager and/or their respective representatives shall be settled through Arbitration process as described in the Portfolio Investment Management Agreement or any Supplemental Agreement thereto.

**For Marfatia Stock Broking Pvt Ltd.:**

<b>Nishil Surendra Marfatia</b> <b>Mg. Director</b>	
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**Place: Vadodara**

**Date: April 16, 2019**

### Annexure A

#### **Following are the actions taken or initiated by the SEBI against Portfolio Manager in the name of Marfatia Stock Broking Pvt Ltd:**

- MSBPL had received a SCN from SEBI dated March 08, 2017 with reference to non compliance observed during the SEBI inspection related to PMLA.

In this regard, the Company clarified to SEBI that the observation in SEBI letter recorded that we have communicated the appointment of “Principle Officer” only on June 30, 2009 and not before. We supplied the earlier appointment letter dated March 19, 2008 along with evidence of furnishing it to FIU and believed that it would be sufficient to address the concern of SEBI. However even before appointment of Mr. Nishil Marfatia on September 15, 2010, Mr. Vijaykumar Bharatbhai Shah on March 19, 2008, we had appointed Mr. Hiren Shah as the “Principal Officer” on February 13, 2006 through a board resolution and sent the details of the same to FIU India. As all compliance were done as per PMLA circulars issued by SEBI, the said SCN is dispose off.

- MSBPL had received a SCN from SEBI dated September 8, 2016 regarding self trade executed in the matter of Front Line Business wherein they have alleged violation of clause A(2) code of conduct as specified in schedule II of (Stock Broker and Sub Broker regulation Act) 1992.

In this regard, the Company clarified to SEBI that the total volume of self trades executed through us is a negligibly small 0.027% (8016 shares) of the market volume of 2,90,10,405 shares, and our such low volume against a huge market volume is not capable of impacting the markets in any manner. Further there is no allegation that this has caused any abnormal manipulative price movement. It may also be noted that the total value of alleged self trades of 8016 shares was Rs. 16,11,614 which is 0.0012% of our turnover of 13275 Crores during the investigation period. As per submissions made to SEBI the said SCN is dispose off.

- MSBPL had received a SCN from SEBI dated January 13, 2016 regarding self trade executed in the matter of 20 MICRONS LTD wherein they have alleged violation of clause A(2) code of conduct as specified in schedule II of (Stock Broker and Sub Broker regulation Act) 1992.

In this regard, the Company clarified to SEBI that the total volume of self trades executed through us is a negligibly small 0.013% (25752 shares) of the market volume of shares, and our such low volume against a huge market volume is not capable of impacting the markets in any manner. Further there is no allegation that this has caused any abnormal manipulative price movement. As per submissions made to SEBI the said SCN is dispose off.