

**DISCLOSURE DOCUMENT** [in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations 2020]

**ASIT C. MEHTA INVESTMENT INTERMEDIATES LTD.**

Nucleus House, Saki Vihar Road Andheri (E), Mumbai – 400 072

(CIN :U65990MH1993PLC075388)

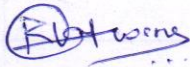
Tel: 022-28583333 / 022-61325757

The Document has been filed with the Board along with the certificate in the prescribed format in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020.

The purpose of the Document is to provide essential information about portfolio management services in a manner to assist and enable the investors in making informed decision for engaging a Portfolio Manager.

The necessary information about the Portfolio Manager required by an investor before investing, and the investor may also be advised to retain the document for future reference.

The name, phone number, e-mail address of the principal officer so designated by the portfolio manager is:



**DEEPAK MAKWANA**  
**PRINCIPAL OFFICER**

Telephone Number: +91-22 61325830

Email: deepak.makwana@acm.co.in

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## DISCLAIMER CLAUSE:

THE PARTICULARS HAVE BEEN PREPARED IN ACCORDANCE WITH THE SEBI (PORTFOLIO MANAGERS) REGULATIONS, 2020 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.

**DEFINITIONS AND ABBREVIATIONS:****DEFINITIONS**

<b>TERM</b>	<b>DESCRIPTION</b>
Application	Means the application made by the client to the portfolio manager to place the monies and / or securities in the scheme. 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 conflict between the contents of the application and the provisions of the agreement, the provisions of the agreement shall prevail.
Agreement	Means agreement between the company and its client and shall include all schedules and annexure attached thereto
Articles / Articles of Association	Articles of Association of Asit C. Mehta Investment Intermediates Limited
Bank Account	Means one or more accounts opened, maintained and operated by the Portfolio Manager with any Scheduled Commercial Bank.
Board of Directors	The Board of Directors of Asit C. Mehta Investment Intermediates Ltd., or a Committee thereof
BSE	BSE Ltd.
NSE	National Stock Exchange of India Ltd.
Client	Means a person who enters into an Agreement with the portfolio manager for managing its portfolio / funds.
Companies Act	The Companies Act, 2013 as amended from time to time, and the relevant provisions of Companies Act, 1956 where the corresponding sections of Companies Act, 2013 have not yet been notified
Custodian	Means Orbis Financial Corporation Limited as custodian for Portfolio Management Services activities
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended from time to time.
Depositories Act	The Depositories Act, 1996 as amended from time to time.
Depository Participant	A Depository Participant as defined under the Depositories Act
EPS	Earnings per Equity Share
Equity Shares	Equity shares of a listed / unlisted company.
Financial / Fiscal Year	Period of twelve months ended March 31 of that particular year.
FII	Foreign Institutional Investor [as defined under SEBI (Foreign Portfolio Investors) Regulations, 2014]
FPI	Foreign Portfolio Investor
Financial instruments	Financial market instruments, instruments that are traded in money, interest & debt, commodities, energy, capital and currency markets and are subject to the guidelines/regulations of SEBI and RBI. These include securities as defined under the Securities and Contracts Regulations Act.
Fixed income securities	Fixed income securities include interest bearing debt instruments such as Government securities including treasury bills, Bonds of financial institutions and public-sector entities, Commercial papers, Certificate of deposits, Debentures, Asset backed or Cash flow based securitized instruments etc. The interest on instruments may be paid periodically (say, monthly, quarterly, semi-annual, annual) or these instruments may be in the nature of discounted instruments. The returns on these securities also vary, but to a lesser degree as compared to Variable income instruments, depending on the movement of prices in the markets.
Floating rate instruments	Floating rate instruments are identified for periodical returns against benchmark rates. (For e.g. in the case of government securities it may be treasury bills auction rates or MIBOR(Mumbai Inter Bank Offered Rates) etc.

Funds	Means the monies managed by the portfolio manager on behalf of the client pursuant to this Agreement and includes monies mentioned in the application, any further monies placed by the client, the proceeds of the sale of the portfolio and interest, dividend or other sums arising from the assets so long as the same are managed by the portfolio manager
Indian GAAP	Generally Accepted Accounting Principles in India
IRDA	Insurance Regulatory Development Authority
I.T.ACT	The Income Tax Act, 1961 as amended from time to time.
Memorandum of Association	The Memorandum of Association of Asit C. Mehta Investment Intermediates Limited.
NRI / Non-Resident Indian	Non-Resident Indian (NRI) is a person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian Origin under FEMA (transfer or offer or security by a person resident outside India) Regulations, 2000.
ACMIL or the Company or your Company	Asit C. Mehta Investment Intermediates Ltd., a public limited company incorporated under the Companies Act, 1956 including successors, assignees.
PFRDA	Pension Funds Regulatory Development Authority
Portfolio Manager	Means 'Asit C. Mehta Investment Intermediates Ltd. – PMS' (A division of Asit C. Mehta Investment Intermediates Ltd.), for the purpose of this document.
Portfolio	Means aggregate of the securities managed by the portfolio manager on behalf of the client pursuant to an agreement and includes any securities further placed by the client for being managed pursuant to the Agreement and also includes securities acquired by the portfolio manager through investment of funds, bonus / rights shares in respect of securities forming part of the portfolio
Promoters	Mr. Asit C. Mehta and Mrs. Deena A. Mehta
RBI	The Reserve Bank of India
Registered office of the company	Nucleus House, 5 <sup>th</sup> Floor, Saki Vihar Road, Andheri (E), Mumbai – 400 072.
ROC	Registrar of Companies, Maharashtra, located at Mumbai.
Rated instruments	Rated instruments are those that are independently rated by approved rating agencies.
SEBI	Securities and Exchange Board of India constituted under the SEBI, Act 1992.
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time
SEBI Regulations	Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 as amended from time to time and other SEBI Regulations as may be applicable
Securities	Securities includes "securities" as defined under the Securities / Contracts (Regulation) Act, 1956".
Hybrid Securities	"Hybrid Securities" are those securities which may have both fixed and floating returns and may be invested into in addition to the above. Depending on the predominance of the nature and characteristics of the hybrid securities, they may be classified as variable or fixed income securities for the sake of convenience.
The investment objective	The investment objective may involve different types of risk/return tradeoffs and hence there cannot be any assurance or guarantee of the return or principal.
The risk	The risk, as in financial terms, involves the difference in the actual return against the expected return. In addition, the portfolio is subject to market risks (namely price risk, interest rate risk, currency risk), regulatory risk (change in policy and taxation) and operation risk.
Variable income securities	Variable income securities include shares and stocks generally referred to as equity investments, equity derivative contracts such as futures and options etc. These instruments generally do not carry any fixed rate of return and hence the returns received from these are variable, positive and negative.
'We', 'Us', 'Our'	Unless the context otherwise requires, refers to as our Company.

**ABBREVIATIONS:**

<b>Abbreviation</b>	<b>Full Form</b>
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	BSE Limited
CDSL	Central Depository Services (India) Limited
D/E	Debt Equity Ratio
DP	Depository Participant
EPS	Earnings per Share
GOI	Government of India
NAV	Net Asset Value
NBFC	Non-Banking Financial Company
NSE	National Stock Exchange of India Ltd
NSDL	National Securities Depository Ltd.
MCX	Multi Commodity Exchange of India Ltd.
P/E Ratio	Price / Earnings Ratio
PAN	Permanent Account Number
RONW	Return on Net worth

Words and expressions used in this Disclosure Document but not defined herein shall be interpreted according to their general meaning and usage. The terms and definitions are inclusive and not exhaustive and have been included only for the purpose of clarity.

**HISTORY, PRESENT BUSINESS AND BACKGROUND OF THE PORTFOLIO MANAGER:****History / Background of the Company:**

The proprietary membership in the name of Mr. Asit C. Mehta was approved by BSE in the year 1985 and the stock broking activity commenced in 1986 followed by transacting in government securities in 1987. The Company was incorporated on 1<sup>st</sup> December 1993 with the object of providing services in the form of capital market intermediation. It obtained the requisite approvals of BSE to convert the proprietary stock broking business into corporate entity w.e.f. April 1, 1994. The Company has comprehensive licenses / memberships to offer a full range of services to its clients as given below:

<b>Membership / Licenses</b>	<b>Year</b>
BSE – Capital Market Segment	August 1985 (Proprietary)
NSE- Capital Market Segment	November 1994
CDSL – DP	July 1999 Permanent Registration received in July 2014
NSE- Trading (F&O)	May 2000
BSE – Derivatives Segment	June 2000
NSE –Self Clearing (F&O)	December 2005 – (The same is converted to Trading Membership in July 2019)
Merchant Banker – Category I	April 2006, Permanent registration received in June 2012
Portfolio Manager	December 2006 (license expired on December 31, 2012) & fresh registration obtained on 21-8-2017.
NSE – Currency Derivative Segment	August, 2008
NSE-Interest Rate Futures Segment	August, 2009
Research Analyst	December, 2015
Point of Presence (PFRDA)	November 2016
Corporate Agent (IRDA)	March 2018 (Not renewed)

The Company is a pioneer in the industry, with many firsts to its credit. It was the first limited liability company in the stock-broking industry on the BSE Limited, (earlier known as The Stock Exchange, Bombay), the first multiple seats holder and multi exchange membership company; and the first broking house to be certified under ISO 9001 for its debt and equity services. The company earlier held the ISO 9001:2015 certification and decided not to renew the same. It is also the first broking house to be graded by India's premier rating agency 'CRISIL' in December 2006. 'CRISIL' had thereafter upgraded company grading to BQ1 in September 2009. BQ1 is the opinion of CRISIL on the quality of operations and services provided by the graded broker. The grading is expressed on a five-point scale from BQ1 to BQ5 with BQ1 being the highest, where **B** denotes **Broker** and **Q** denotes **Quality**.

Currently, the company has not renewed its CRISIL grading.

The company has with the approval of its shareholders applied to the Hon'ble National Company Law Tribunal (NCLT) for conversion from public limited company to private limited company and the Hon'ble NCLT has reserved the matter for orders.

#### **PRESENT BUSINESS:**

**Equity Investments services and Derivatives hedging:** Equity investment services are offered to retail clients through different channels in the BSE Limited (BSE) & the National Stock Exchange of India Limited (NSE), for cash, derivatives and currency derivatives segments. The company has surrendered its membership on the Metropolitan Stock Exchange of India Limited (MSEI).

**Online Investment:** [www.investmentz.com](http://www.investmentz.com) is our investment portal that offers online investment to retail investors in BSE & NSE, cash & derivatives segment. For this purpose, the company has facilitated account opening through the online mode. The investors can do their own investment through a browser-based as well as a mobile application interface. This service is also available through IVR facility for those clients who are unable to access the Internet service at any time. The company has linked up with leading Nationalized, Private and Co-operative Banks to offer share investment service to bank's customers. A seamless gateway has been established between the banking and depository software of the bank. Online investment is also possible through the "investmentz" app of the company.

**Institutional Desk:** Equity trade execution service is provided to institutional investors by our institutional desk. Research & market information is provided to Mutual Funds & Banks for aiding them in making investment decisions. These services are through a seamless connectivity to the custodians.

**Investment Banking:** The Company has been granted Category I Merchant Banking permanent registration by SEBI. It offers a full gamut of investment banking services including services in mergers, amalgamations, private equity, and public offerings.

**Mutual Fund and IPO:** Mutual Fund and IPO distribution service is provided to retail investors directly and indirectly through our Branch / Business Associate network. Seminars are conducted regularly to highlight the importance of investment in Mutual Funds, especially through the Systemic Income Plans (SIP). Advisory is provided on Initial Public Offerings.

**Depository services:** . The company is a depository participant with the Central Depository Services (India) Ltd. (CDSL).

### **Portfolio Management:**

The Company had earlier obtained registration as a Portfolio Manager from December 31, 2006. SEBI had renewed the said registration for a period of 3 years with effective from 01.01.2010 to 31.12.2012. The company had, stopped its Portfolio Management Activities on 15.11.2010 and did not renew its earlier Portfolio Manager registration which expired on 31.12.2012. The company again sought SEBI approval for registration as a Portfolio Manager and has received the same on August 21, 2017 under Registration number INP000005801. At the time of registration, Mr. Pramit Singh Sabharwal was the Principal Officer. Mr. Akhil Rathi was appointed as Principal Officer in his place from June 1, 2018, subsequent to Mr. Pramit Singh Sabharwal's resignation from the services of the company. Mr. Deepak Makwana has now been appointed as Principal Officer of the company for Portfolio Management Services with effect from July 1, 2021.

The company currently offers only discretionary portfolio management services. The company has also started enrolling distributors for the purpose of marketing the company's portfolio management services (PMS) for acquisition of clients across the nation, and has 119 distributors as on January 31, 2022. The company has a tie-up with these distributors for PMS marketing purposes.

The Securities and Exchange Board of India (SEBI) has issued the SEBI (Portfolio Managers) Regulations, 2020 which have come into effect on January 16, 2020 and the company is complying with the revised requirements

### **Research Analyst:**

The company has a research division, which currently provides investment advice to its stock broking clients. Such advice is provided only on the basis of the specific request made by the said clients in respect of their securities holdings. The Research department would do the same initially in respect of the clients desirous of availing our non-discretionary portfolio management services. This would be done by utilizing customized software for the purpose.

The company having received its registration as a Research Analyst in December 2015, the portfolio manager frames investment policies on the basis of the inputs from the research unit and takes independent decisions for asset allocation on the basis of the requirement of the investors.

The Research Desk provides support in arriving at investment decisions of the Portfolio Manager. The Research desk is staffed with a team of 3 analysts functioning in a computerized environment supported by corporate database packages like Ace Equity and an in-house database of Annual Reports, newspaper clippings and company reports.

The Portfolio Manager may use one or more sources i.e. fundamental research, technical support and market inputs to arrive at investment decisions.

### **National Pension Scheme**

The company is registered with the Pension Fund Regulatory Development Authority (PFRDA) since 30<sup>th</sup> November 2016 as a point of presence (POP) for the National Pension Scheme and commenced its full fledged business in January 2018.

As on date, the total number of subscribers registered through us for the NPS scheme is around 143.

## **Corporate Insurance Agency**

The company had registered as a corporate insurance agent from Insurance Regulatory Development Authority (IRDA) in March 2018 and considering that the business potential is less in the said business has not renewed the same.

## **Commodity Derivatives**

Pursuant to SEBI regulations intimating that stock broking and commodities business can be carried on in the same entity, the company had obtained and received approval for membership of MCX in February 2018 for dealing in commodity derivatives. It has also enrolled on the commodities derivatives segment of BSE and NSE. However, looking at the current market scenario, the company has put its plans of commencing commodities business on hold.

## **PROMOTERS OF THE PORTFOLIO MANAGER, DIRECTORS AND THEIR BACKGROUND PROMOTERS:**

The Company's promoters are Mr. Asit C. Mehta and Mrs. Deena A. Mehta and their details are given as under:

### **MR. ASIT C. MEHTA (Age 62)**

Mr. Asit C. Mehta, the Chairman-Cum-Whole time Director of the Company is a qualified Chartered Accountant, securities law graduate and a Seasoned Capital Market Professional.

He started his career in the corporate finance markets in the year 1983 by associating with leading Government Security brokers of those times. He concentrated on Corporate Debt comprising of ICDs, Bill Discounting, Syndication of Loans, Issue of commercial papers, Short-term debentures, etc. He was amongst the initial players activated in the UTI 64 secondary market.

Within the group, he focused on debt business comprising of Government Securities and Corporate Paper. His efforts which started in the year 1987 has seen the company (subsequently incorporated) as a leading broker in the interbank, G-SEC market with significant market share with Banks/ Institutional clients.

He expanded the product portfolio by adding the interbank, forex broking and retail money changing and latter on money transfer services. Besides, his passion for technology led him to the technology sector way back in 1996 with certain assignments in business process, GIS and data management solutions.

He was the Principal officer of the company's portfolio management activities at the time of the company's earlier registration with SEBI as a Portfolio Manager during the period 1<sup>st</sup> January, 2007 to 31<sup>st</sup> December, 2012 and was also the Principal Officer of the portfolio management services division of the erstwhile Nucleus Securities Limited (NSL) which held SEBI registration as a Portfolio Manager from 1<sup>st</sup> April, 1999 to 31<sup>st</sup> December, 2006. As the group Chairman of the Nucleus group of companies (including this company), he provides the guidance and direction to the group, which operates across many associate locations spread out all over the country, and are managed by professionals.

### **MRS. DEENA ASIT MEHTA (Age 61)**

Mrs. Deena Asit Mehta is a qualified Chartered Accountant, has a post graduate diploma in Securities Law and has done her Master of Management Studies, specializing in finance. She has spent almost her entire career in the Capital Market and more specifically in equity and derivatives. Mrs. Mehta is Managing Director of Asit C. Mehta Investment Intermediates Ltd. and is in-charge of the overall operations and business activities of the company. As a promoter of the company, she has taken the responsibility of HR, systems, regulations and operations. Mrs. Mehta has been associated with several reforms in Capital Market including setting up of BOLT system at BSE, setting up Central Depository Services, Streaming of Clearing Corporation BOISL. She was on the BSE Board for 9 years and has served as Vice President and President of the BSE. Mrs. Mehta has served on several SEBI committees for past 22 years since SEBI's inception and contributed to various reforms undertaken by SEBI. Mrs. Mehta is a founder member of SAFE, Association of Stock Exchanges of SAARC countries.

Her basic interest in the well-being of the Indian Capital market led her to be one of the active broker directors (including that as a President) of BSE. She had extensive interactions with regulators, technocrats and over saw the transition of the exchange from the open outcry system to an on-line trading system of International standards.

She has been on various committees of the Stock Exchange and SEBI. Besides she is a regular speaker on various forums of the capital market and contributes regularly to various publications. She was a Trading Member Director on the Board of BSE Limited during the period from 7th August 2009 till 6<sup>th</sup> August 2012.

As a group Director and a Co-promoter her involvement and interest extend beyond equity to all areas of Capital Markets. Several organizations have awarded her for her contribution to Capital Markets including Jaycees International as Outstanding Young Person, IMC for contribution to Banking and Finance, Zee Business for contribution to capital markets.

### **THE BOARD OF DIRECTORS:**

The present Board of Directors of the Company consists of the following Directors:

Mr. Asit C. Mehta – Chairman-Cum-Whole-Time Director	)
	) Details given above
Mrs. Deena A. Mehta – Managing Director	)

And

### **MR. KIRIT H. VORA (Age 63)**

Mr. Kirit H. Vora, a qualified Chartered Accountant and securities law graduate, is also a seasoned Capital Market professional as the other co-directors / promoters. He is the Whole-Time Director of the Company.

He began his career in the year 1982 in the corporate finance department of Larsen & Toubro Ltd., where he was involved in Cement and Shipping project financing and had extensive interactions with Indian institutions, banks and some of the overseas bodies like CDC and IFC Washington.

He has been associated with the group since 1988 as a group Director. His area of responsibility ranged from equity dealing, marketing, and research, Human Resources, System Designs and General Management.

Having spent over 30 years with the group, he has seen the transition of the Capital Market and was involved as part of the top management team to keep the company as one of the top-notch brokers.

Mr. C.L.Jain and Mr. Shirish Shah were independent directors of the company and have resigned from the Board of Directors of the company in end of March 2020. The company has filed the requisite documents with the regulatory authorities on this account in the financial year 2020-21.

The company currently being a public limited company is in the process of filling up the vacancies of independent directors caused by the aforesaid resignations.

#### **GROUP COMPANIES:--**

<b>Sr. No.</b>	<b>Name of the group company</b>
1	Asit C. Mehta Financial Services Limited. (ACMFSL)- Holding company
2	Nucleus IT Enabled Services Limited (NITES)- Under merger with ACMFSL
3	Asit C. Mehta Forex Pvt. Ltd
4	Asit C. Mehta Commodity Services Limited
5	
6	Omniscience Capital Advisors Pvt. Ltd

#### **PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTION OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR INITIATED BY ANY REGULATORY AUTHORITY**

<b>Sr. No.</b>	<b>Nature</b>	<b>Details</b>
1.	All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Rules or Regulations made there under.	As mentioned below
2.	The nature of the penalty/direction.	As mentioned below
3.	Penalties imposed for any economic offence and/ or for violation of any securities laws.	Not Applicable
4.	Any pending material litigation/legal proceedings against the portfolio manager / key personnel with separate disclosure regarding pending criminal cases, if any.	As mentioned below
5.	Any deficiency in the systems and operations of the portfolio manager observed by the Board or any regulatory agency.	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 Rules or Regulations made there under.	As mentioned below

#### **ALL CASES OF PENALTIES IMPOSED BY THE BOARD OR THE DIRECTIONS ISSUED BY THE BOARD UNDER THE ACT OR RULES OR REGULATIONS MADE THERE UNDER AND THE NATURE OF THE PENALTY/DIRECTION**

- 1) SEBI has levied a penalty of Rs. 7 lacs vide its order dated December 30, 2020 for inspection conducted by it for the company's stock broking operations during September 2015 to December 2016 for the inspection period from April 1 2012 to March 31, 2015. The company has filed an appeal in SAT against the said order of SEBI and the hearing of the same is in progress.
- 2) SEBI has levied a penalty of Rs. 27 lacs vide its order dated January 19, 2021 for joint inspection conducted by it , exchanges and CDSL for the company's stock broking and depository operations during August - September 2018 for the inspection period from April 1

2017 to July 31, 2018. We have filed an appeal in SAT against the said order of SEBI.

#### **PENDING LITIGATIONS AGAINST THE COMPANY FOR STOCK BROKING ACTIVITIES:**

We have over 100,000 registered clients for our broking services. A very small number of clients (10) have filed cases in the consumer forum/ courts for matters relating to stock exchange transactions. In the consumer forum cases, the district consumer forums as well as the state consumer forums have ruled in our favor, dismissing the claims of the clients. Further, the number of such cases is very minuscule considering the size of our business and the client's. These clients have approached the courts despite the agreement to refer disputes to the exchange grievance redressal mechanism that is available to them.

#### **ENQUIRY / ADJUDICATION PROCEEDINGS INITIATED BY THE BOARD AGAINST THE PORTFOLIO MANAGER OR ITS DIRECTORS, PRINCIPAL OFFICER OR EMPLOYEE OR ANY PERSON DIRECTLY OR INDIRECTLY CONNECTED WITH THE PORTFOLIO MANAGER OR ITS DIRECTORS, PRINCIPAL OFFICER OR EMPLOYEE, UNDER THE ACT OR RULES OR REGULATIONS MADE THERE UNDER**

The Securities and Exchange Board of India (SEBI) has passed an order against two of the directors of the company along with other respondents. The proceedings by SEBI are initiated under SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 [which have since been repealed and replaced by SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2010] for acquisition of shares, without public announcement, by one of the said directors in a listed company promoted by the said directors themselves. The directors were fined Rs 25.00 Lacs for alleged violations of the said Regulations. All the respondents (including the said directors) had filed an appeal in the Securities Appellate Tribunal (SAT) against the aforesaid SEBI order and the SAT has quashed the aforesaid decision/order of SEBI.

SEBI has filed an appeal against the said order of SAT in the Honorable Supreme Court of India in October 2018 and the same is still pending hearing in the said Court.

#### **SERVICES OFFERED:**

The company currently offers only discretionary portfolio management services.

#### **DETAILS OF THE SERVICES OFFERED:**

The investment objectives and policies laid down herein below apply to all portfolio management services of the company that may be a) **discretionary**, b) **non-discretionary** or c) **advisory**.

Depending on the service agreement, the policies will apply to investments/disinvestments and, recommendations or advise to invest/ disinvest.

The Portfolio Manager shall purchase, sell or otherwise deal in securities for and on behalf of the client through the various divisions/entities (details of memberships/licenses of the exchanges as mentioned above) and shall be entitled to charge brokerage in respect of such transactions. In any case, these transactions will be at arm's length basis and at market prices.

#### **PMS INVESTMENT OBJECTIVES:**

The investment objectives of each of the client will be laid down to meet his needs over a life cycle keeping in mind his age, income, savings, liquidity preferences, risk return preferences and future

obligations. The client may be recommended a strategy custom made for him. The investment objectives of the client are made as per parameters above and his portfolio may be divided into fixed income and/or Variable income and/or Hybrid instruments.

The objective of the fixed income portfolio is to provide regular income, annuity income or cumulative income and the objective of the variable income portfolio is to seek capital appreciation over the term of the investments.

### **PMS PORTFOLIOS ADVISORY**

1. Government securities Portfolio Advisory: This Advisory services will be mostly for regulated entities and qualified institutional players to identify and trade in government securities that meets the investment objective
2. Money Market Instruments Portfolio Advisory: Advisory services mostly for regulated entities and qualified institutional players to identify money market instruments like certificate of deposits, commercial papers and instruments with a residual maturity less than one year on the basis of a separate advisory agreement.

### **INVESTMENT PROCESSES**

From time to time, depending on the needs and requirement of the client as identified from his updated investor profile, portfolio of the client will be structured.

Portfolio manager will **decide** based on his professional expertise about investment and liquidation of one or more or all investments, fully or partly

- Execution of his decisions will be done within the investment objectives laid down by the investor.
- Portfolio manager will also not invest in the negative list as may have been provided by
- The investor will be informed about the transactions **after** they are executed at such time intervals and at such frequencies as laid down in the agreement. However the investor will always have the option to pull the information on his own either from a website or any other means as may be provided by the manager from time to time.
- The fees payable under this service are provided in the agreement and the same will be collected / deducted by the portfolio manager in the manner so provided in the agreement.
- Portfolio manager will have custody of both the funds and the securities invested on behalf of the investors, unless a custodian has been appointed for the said purpose. For NRI client, the custody of funds would be with his Banker where he has his Portfolio Investment Scheme Account and the custody of securities would be with the Depository Participant where he has his demat account.
- The Company (Asit C. Mehta Investment Intermediates Limited) is also a SEBI registered Stock Broker and as such the Portfolio Management Services Division of the company uses the services of the Company's stock broking division on arm's length basis.

- The Company has tied up with and appointed Orbis Financial Corporation Limited to act as its custodian for Portfolio Management Services activities.

Other terms are provided for in detail in the agreement to be entered into between the client and the portfolio manager.

## **INVESTMENT POLICIES**

**The stock selection, asset allocation and portfolio management process will be guided by the following broad policies:**

### **General policies**

To ascertain investment objectives and risk appetites of each client before offering the portfolio management services and to take affirmative confirmation from the client as to his investment objectives and risk return profile.

To invest client funds only in conformity with plans so chosen.

To consider the negative list as may be laid down by the client in the agreement and from time to time, as may be informed by the investor to the Manager.

To review the investment objectives and risk return appetite of the client at regular intervals or at any time should the client desire a reassessment.

To review portfolio of the client at regular intervals and reconfirm that it meets the client investment objectives and risk return profiling.

To maintain a diversified portfolio between fixed income and variable income instruments as laid down in various plans/schemes.

To invest in fixed or variable/Hybrid income securities of associated companies only after taking a specific permission from the client irrespective of the fact that the client may have chosen to avail of discretionary portfolio management services and only if other investment policies laid down here and subsequently and in each scheme are complied with.

To ensure that no naked short sales are done in cash items or derivatives, directly or indirectly.

To lend shares, if and as and when permitted through organized and approved methods by regulators if deemed fit by the portfolio manager.

To hedge the portfolio, if thought appropriate, through futures and options to the extent needed but never to exceed 100% of the portfolio at any point of time.

Ensure that while hedging the portfolio in derivatives, client will never be exposed to risks, which are greater than his portfolio value.

### **Fixed income portfolio :**

To invest in fixed income instruments only if it meets investment grade rating from at least one rating agency or in government/PSU paper which may not have been otherwise rated.

To invest in fixed income instruments, in as diversified a manner as may be required, from risk/return point of view.

#### **Variable income portfolio and Hybrid portfolio:**

To invest in variable and/or Hybrid income instruments in such a way that the portfolio is not concentrated in one industry.

To invest in variable and/or Hybrid income instruments in such a way that no more than 30% of the total client portfolio is invested in single variable/Hybrid income instrument.

To invest in variable/Hybrid income instruments in such a way that liquidation of the client portfolio in that scrip will not take a very long time based on trade data for the scrip in one or more exchanges.

#### **TYPES OF SECURITIES**

The funds are generally invested in:

- a) Equity and Equity related securities
- b) Units and other instruments of mutual funds,
- c) Debentures, Bonds hybrids, government securities, STRIPS, treasury bills, commercial papers and any other eligible mode of investments within the meaning of the regulation issued by SEBI structured notes, CIS units, AIF units etc.

#### **RISK FACTORS**

- (i) Securities investments are subject to market risk and there is no assurance or guarantee that the objective(s) of the plan(s) will be achieved.
- (ii) Past performance is not indicative of any future performance and therefore future performance of the portfolio manager/plan(s) cannot be assured / guaranteed.
- (iii) The following risk factors need to be remembered while choosing to invest either on your own or with the assistance from the portfolio manager:

Market values, liquidity and risk return profile of Investments (Investment characteristics) in Fixed, Hybrid and variable income instruments are likely to fluctuate depending on the prevailing interest rates in the market, liquidity preferences, impact cost changes, re-ratings of the issuer or the instruments, competing instruments, performance of the industry, national and international economies, regulations and changes therein -domestically and internationally, events that are of significant impact such as war, terrorism, sanctions and trade embargoes, natural calamities, acts of God etc. These risks are generally described as Market Risks.

- (iv) Performance of the issuer companies will have significant influence on the market prices of its securities. This will further depend on, in addition to external factors, its own ability to perform, management, changes therein etc. These are known as internal risks. This is also called Stock Specific Risks.
- (v) The portfolio also faces additional risks such as timing risks, short delivery or delayed delivery

from markets, reduced liquidity etc., this is also called Transactions & Settlement Risks.

- (vi) The portfolio also faces risks based on management and operational efficiencies & controls of the Portfolio manager i.e. the risk is based on the ability of the portfolio manager in identifying opportunities or misjudging trends and late investments and / or early liquidations, either at a loss or at reduced profits, or misjudging opportunities completely. This is also called Portfolio Manager Competency Risks.
- (vii) The portfolio also faces risks due to other service providers that Manager may engage to render the services such as banking, broking, clearing and settlement, custodian services, depository, courier services etc. This is also called Allied Service Provider Risks.
- (viii) The client also faces risks from usage of technology for recording transactions and accounts, communication of, information to and fro, Data computing and storage, leakages of data/information from various points including at the portfolio manager's operations etc. This is called Portfolio Allied Operations Risks.
- (ix) The portfolio also faces risks from completely unknown developments that may happen in terms of technological or Regulatory or economic changes that are not known today. These are known as "Unknown unknowns" as against the preceding Risks classified as "Known unknowns"

#### CLIENT REPRESENTATION

Category of Clients	No. of clients	Funds managed (Rs. Cr)	Discretionary/Non-discretionary (if available)
Associates/group companies (current financial year as on January 31, 2022)	Nil	Nil	Not applicable
Others (Current Financial Year as on January 31, 2022)	38	33.58	Discretionary
As on March 31, 2021	32	22.90	Discretionary
As on March 31, 2020	37 (including associate company)	15.135	Discretionary
As on March 3, 2019	17 (including associate company)	9.993	Discretionary

#### COMPLETE DISCLOSURE IN RESPECT OF TRANSACTIONS WITH RELATED PARTIES AS PER THE STANDARDS SPECIFIED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

The Company has entered into following related party transactions as per the audited financial statement for the financial year 2020-21, 2019-20 and 2018-19 are given below:

Sr. No	Particulars	Year ended 31.03.2021 (Rs.)	Year Ended 31.03.2020 (Rs.)	Year Ended 31.03.2019 (Rs.)
A	<b>HOLDING COMPANY:</b>			

1	Re-imbursement (recovered) of expenses	1,82,420	2,76,670	21,134
2	Leave and License Fees	1,34,16,000	2,01,60,000	2,01,60,000
3	Amounts payable	4,69,304	2,76,670	NIL
4	Re-imbursement of expenses	NIL	NIL	NIL
5	Deposits for premises	2,62,51,740	2,62,51,740	2,62,51,740
6	Deposits given	NIL	NIL	10,00,000
7	Deposits received back	NIL	NIL	10,00,000
8	Advisory Income (Reimbursement of Expenses)	NIL	12,23,758	NIL
9	Office Expenses Recovery (Reimbursement of Expenses)	NIL	7,43,846	NIL
10	Repairs and Maintenance Recovery (Reimbursement of Expenses)	NIL	9,13,932	NIL
<b>B</b>	<b>ASSOCIATES:</b>			
1	Loans given to associates/group companies	39,17,78,596	17,33,21,100	16,89,52,000
2	Loans received back from associate companies	40,15,04,899	19,22,24,600	14,39,00,000
3	Loans received from group companies	NIL	NIL	10,50,000
4	Loans paid from group companies	NIL	NIL	10,50,000
5	Interest Income	82,96,816	62,50,327	38,77,998
6	Re-imbursement (recovered) of expenses	5,900	15,600	1,11,944
7	Professional fees paid	1,31,593	3,34,856	1,98,770
8	Arbitrage share/brokerage paid	2,59,317	14,06,998	7,81,297
9	Remuneration (including contribution to PF)	75,68,479	71,37,108	71,04,723
10	Investments	484	2,42,00,000	2,77,00,000
11	Amounts receivable on loan amount	NIL	NIL	NIL
12	Other Amounts receivable	10,39,387	1,30,44,482	2,63,22,687
13	Marketing expenses	15,43,014	37,32,880	41,38,500
14	Interest paid	NIL	NIL	2,143
<b>C</b>	<b>DIRECTORS</b>			
1	Leave and License fees paid	21,60,000	21,60,000	21,60,000
2	Interest on debentures	NIL	12,62,294	16,80,000
3	Deposits for premises	4,30,00,000	4,30,00,000	4,30,00,000

**THE FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER (BASED ON AUDITED FINANCIAL STATEMENTS)**

The following table sets forth our selected financial information as of / for the fiscal years ended March 2021 derived from the audited financial statements. These financial statements have been prepared in accordance with Indian Accounting Standards and the Companies Act.

Particulars	Note No.	As at 31/03/2021	As at 31/03/2020	As at 31/03/2019
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				(Rs.)	(Rs.)
<b>I</b>	<b>EQUITY AND LIABILITIES</b>				
1	<b>Shareholders' funds</b>				
	(a) Share Capital	2	16,61,11,110	20,61,11,110	19,31,11,110
	(b) Reserves and Surplus	3	(1,55,65,799)	(7,47,48,414)	(2,40,63,967)
			15,05,45,311	13,13,62,696	16,90,47,143
2	<b>Non-current Liabilities</b>				
	(a) Long-term borrowings	4	3,77,18,553	9,66,834	13,09,203
	(b) Other long-term liabilities	5	2,57,91,457	2,64,29,740	4,20,34,314
	(c) Long term provisions	6	31,74,322	4,50,771	NIL
			<b>6,66,84,332</b>	<b>2,78,47,345</b>	<b>4,33,43,517</b>
3	<b>Current Liabilities</b>				
	(a) Short Term borrowing	7	21,15,94,375	21,10,54,881	32,90,66,968
	(b) Trade payables	8	4,37,63,363	1,83,84,767	1,17,44,927
	(c) Other current liabilities	9	50,67,24,456	64,02,62,516	62,62,22,050
	(d) Short term provisions	10	17,24,999	6,09,065	14,94,768
			76,38,07,193	87,03,11,229	96,85,28,583
	<b>TOTAL</b>		<b>98,10,36,836</b>	<b>1,02,95,21,275</b>	<b>1,18,09,19,24</b>
<b>II</b>	<b>ASSETS</b>				
1	<b>Non-current Assets</b>				
	(a) Fixed assets	11			
	(i) Tangible assets		7,85,31,499	1,34,33,966	1,67,60,907
	(ii) Intangible assets		36,77,553	1,46,95,448	71,89,139
	(iii) Capital work in progress		NIL	1,54,98,174	1,64,79,654
			<b>8,22,09,053</b>	<b>4,36,27,588</b>	<b>4,04,29,700</b>
	(a) <b>Non-current investments</b>	12	1,02,60,770	4,02,66,534	4,60,86,324
	a) Deferred tax assets (net)	13	96,89,888	80,52,564	61,77,962
	b) Long-term loans and advances	14	2,23,19,018	2,38,92,617	10,60,24,904
	c) Other non-current assets	15	1,29,18,385	1,35,20,651	2,19,70,920
			<b>5,51,88,061</b>	<b>8,57,32,366</b>	<b>18,02,60,110</b>
2	<b>Current Assets</b>				
	a) Trade Receivables	16	2,20,95,783	1,72,11,360	5,09,48,113
	b) Cash and Bank Balances	17	27,57,40,821	42,57,76,033	40,40,56,199
	c) Short-term loans and advances	18	44,39,08,497	41,66,30,624	33,40,06,077
	d) Other Current Assets	19	4,63,10,000	4,05,43,305	17,12,19,049
	e) Asset held for Sale	20	5,55,84,621	NIL	NIL
			<b>84,36,39,722</b>	<b>90,01,61,321</b>	<b>96,02,29,438</b>
	<b>TOTAL</b>		<b>98,10,36,836</b>	<b>1,02,95,21,275</b>	<b>1,18,09,19,24</b>

Particulars	As on 31.03.2021	As on 31.03.2020	As on 31.03.2017
<b>Represented by Net worth (Rs.in lacs)</b>			
Share Capital	1661.11	2061.11	1931.11
Reserves and Surplus	(155.66)	(747.48)	(240.64)
<b>Total</b>	<b>1505.45</b>	<b>1313.63</b>	<b>1690.47</b>

Particulars		For the year ended 31/03/2021	For the year ended 31/03/2020 (Rs.)	For the year ended 31/03/2019 (Rs.)
<b>I</b>	<b>INCOME</b>			
1	Revenue from operations	27,83,62,031	23,20,82,449	32,82,82,964
2	Other Income	3,11,72,297	3,04,71,304	2,41,30,965
	<b>Total Revenue</b>	<b>30,95,34,228</b>	<b>26,25,53,753</b>	<b>35,24,13,659</b>
<b>II</b>	<b>EXPENDITURE</b>			
1	Employee benefits expense	7,84,36,158	10,49,82,612	10,48,68,621
2	Finance Costs	2,31,60,568	3,77,94,137	2,21,34,936
3	Depreciation and amortization expense	57,58,999	77,47,778	82,59,466
4	Other expenses	18,27,19,853	17,24,69,197	20,28,10,982
	<b>Total Expenses</b>	<b>2,90,07,55,78</b>	<b>32,29,93,725</b>	<b>33,80,74,005</b>
<b>III</b>	<b>Profit / (Loss) before Exceptional and Extra Ordinary items and Tax</b>	<b>1,94,58,750</b>	<b>(6,04,39,972)</b>	<b>1,43,39,654</b>
	<b>Add: Exceptional and Extra Ordinary items</b>			-
<b>IV</b>	<b>Profit / (Loss) before tax</b>	<b>1,94,58,750</b>	<b>(60,44,39,972)</b>	<b>1,43,39,654</b>
	<b>Tax expense</b>			
	(1) Current Tax		-	17,57,195
	(2) Deferred tax (net)	16,37,324	18,74,602	84,446
	(3) MAT Credit Entitlement	(17,57,195)	-	(17,57,195)
	(4) (Short)/Excess tax of earlier years (Income Tax Refund)	(1,56,264)	(1,19,078)	(28,232)
<b>V</b>	<b>Profit / (Loss) after tax for the year</b>	<b>1,91,82,615</b>	<b>(5,86,84,448)</b>	<b>1,43,95,868</b>
<b>VI</b>	<b>Earnings per equity share</b>			
	(Face value of Rs.10/- Per Share)			
	(1) Basic	1.52	(5.06)	1.27
	(2) Diluted	1.52	(5.06)	1.27

GST is applied based on the State of the Client and Charged in Bill cum Contract notes.

In case client is in Maharashtra than GST is charged as SGST 9% and CGST 9%.

In case client is outside Maharashtra and other than UTT than IGST is charged @18%

In case client belongs to Union Territory than UTT is charged @18%

GST is applied on Transaction charges / Brokerage / Depository charges and other charges falls under chargeable category.

Necessary Fees if any are collected with GST.

## WEIGHTED AVERAGE PORTFOLIO RETURNS

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 22 of the SEBI (Portfolio Managers) Regulations 2020]

Particulars	Since Inception 21 <sup>st</sup> August, 2017 till 31 <sup>st</sup> January, 2022	Year 1 01.04.2021 to 31.01.2022	Year 2 01.04.2020 till 31.03.2021	Year 3 01.04.2019 till 31.03.2020
<b>(a) DISCRETIONARY (POOL AND NON POOL)</b>				
Portfolio Performance (%), Net of all fees and charges levied by the portfolio manager.	38.07	23.04	70.11	-31.97
No of Clients	38	38	32	37
<b>b) NON DISCRETIONARY</b>				
Portfolio Performance (%), Net of all fees and charges levied by the portfolio manager.				
No of Clients	Nil	Nil	Nil	Nil
Benchmark Performance %	Nil	Nil	Nil	Nil

**THE PAST PERFORMANCE MAY OR MAY NOT BE SUSTAINED IN FUTURE.**

## NATURE OF EXPENSES:

The portfolio management service includes broadly the following activities undertaken by the Manager or other service providers. Portfolio manager may collect the fees directly from the client or the service providers may collect it from the client as may be appropriate.

### (i) Investment management and advisory fees

This service includes client profiling, market research, execution/advising investment decisions in Primary and secondary markets, reporting and reviewing the portfolio etc.

The Fees are structured in three parts namely set-up fees, fixed fees and variable fees. Fixed fees will be charged / deducted to/from the client portfolio irrespective of the performance of the portfolio entrusted or advice rendered.

The set-up fees to be paid by the client to the manager would depend on case-to-case basis at the discretion of the Portfolio Manager and its distributors. In any event, these would not exceed 2% of funds invested, on one-time basis. In view of the notification of the SEBI (Portfolio Managers) Regulations 2020, the company has stopped charging upfront fees to its clients.

The fixed fees to be paid by the client to the manager would depend on case-to-case basis depending on type of client i.e. individual, company etc. However, the maximum fees will not exceed more than 2.5% per annum (charged proportionately on quarterly basis).

In addition to above, a variable performance-based management fee would also be charged for positive returns on the portfolio at the rate as may be mutually agreed.

Fees are dependent on the nature of the service availed, viz. discretionary or non-discretionary or advisory. Fees will also vary from client to client, amounts entrusted, period, scheme as well as performance of the manager. These will vary also from time to time but will not be subject to change midway unless mutually agreed upon.

**(ii) Custodian fee**

This service entails receiving and delivering, on behalf of the client, securities and funds towards the transactions undertaken on behalf of the client. It also involves receiving benefits on the securities such as interest, maturity proceeds, dividends, bonus, rights etc. The fees payable by the client for custodian services will be laid down in the agreement. The portfolio manager may deliver these services by its own staff or by using external services. Currently, the Company has appointed Orbis Financial Corporation Limited as Custodian. The custodian deducts the fees directly from the funds of the client lying with it.

**(iii) Registrar and transfer agent fee**

The securities bought in secondary market need to be registered in the client's name from time to time and deliveries need to be made for sales. The R & T Agent may levy transfer charges, Power of Attorney lodgment charges, postage etc. The portfolio manager will pay such charges and collect the same from the client as provided in the agreement.

**(iv) Brokerage and transaction cost**

The execution of investment decisions in primary and secondary markets will be through registered broker(s). The broker(s) (including Asit C. Mehta Investment Intermediates Ltd.) charge brokerage, taxes & duties, and other transaction costs especially for the secondary market trades. The same are normally included in the contract and bills. The Portfolio manager will pay the fees and charges directly to the Brokers as part of the investment process and the same shall not exceed the limit prescribed by the exchanges.

The manager with a view to get economies of scale may negotiate the rates of any of these charges. The benefits, if any, will be passed on to the clients without any extra additions.

**GST (Applicable from 1<sup>st</sup> July 2017)**

GST will be applied based on the State of the Client and Charged in Bill cum Contract notes.

In case client is in Maharashtra than GST will be charged as SGST 9% and CGST 9%.

In case client is outside Maharashtra and other than UTT than IGST will be charged @18%

In case client belongs to Union Territory than UTT will be charged @18%

GST will be applied on Transaction charges / Brokerage / Depository charges and other charges falls under chargeable category.

Necessary Fees if any will be collected with GST.

## STATEMENT OF TAX BENEFIT:

The taxation treatment of investments, valuations, returns and losses thereon depend upon various enactments made under the Income Tax Act, 1961 and relevant enactments there under from time to time. It also depends on the residential status of investor, category of the investor viz. individual, company, mutual fund etc., nature of income viz. capital gains v/s business income etc. Similarly the tax deduction at source provisions also depends on a variety of factors. These may undergo change without any notice. Given below is overview of these provisions, as they exist today. Client is advised to consult practicing tax advisors for up to date and accurate advice on these matters from time to time.

Income from investment in equity shares is subject to tax in the following manner:

1. Dividend Received on share of Indian Companies are taxable in the hands of Investors (Resident of India) from 01-04-2020 and Indian Company will deduct TDS under section 194 at the rate of 10% from Dividend distributed to the resident investors if the aggregate amount of dividend distributed or paid during the financial year to a investor exceeds Rs 5000/-.

However, no tax shall be required to be deducted from the dividend paid or payable to Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC) or to any of the four companies (hereafter in this proviso referred to as such company), formed by virtue of the schemes framed under sub-section (1) of section 16 of the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972), in respect of any shares owned by it or in which it has full beneficial interest by Indian companies who is distributed dividend.

For Non Resident of India tax shall be deducted under section 195 in accordance with relevant DTAA by Indian Companies who is distributed dividend

2. In case the listed equity shares are held as an investment by a resident or non-resident and are sold within 12 months from the date of purchase, then the resultant gains or losses are termed as short-term capital gains or losses.

Short-term gains arising from the transfer of equity shares through a recognized stock exchange in India where the transaction has been subject to 'Securities Transaction Tax' ("STT") and/or undertaken on a recognized stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid/payable in foreign currency<sup>1</sup> are taxed at a concessional rate of 15% plus the applicable surcharge and Health and Education cess. However, if the transaction has not been done on a recognized stock exchange in India and consequently, the transaction has not been subjected to STT, then the short term capital gains will arise when unlisted share are sold within 36 months and will be taxed (income-tax including surcharge and health and education cess) at the rate applicable depending upon the status (i.e. Individual / HUF, Firms, Corporate, etc.) and the income level of clients and also the income level of Portfolio Management Service ("PMS") clients and long term capital gain on unlisted share will be taxed at 20% with applicable surcharge and education cess.

3. In case the equity shares are held as an investment by a resident or non-resident and are sold after 12 months from the date of purchase, the resultant gains or losses are termed as long-term capital gains or losses.

Prior to the amendment made by the Finance Act, 2019, long term gain arising out of transfer of equity shares on a recognized stock exchange in India and the sale transaction of which has been subjected to STT and/or undertaken on a recognized stock exchange located in any International

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<sup>1</sup> Inserted w.e.f. 01 April 2017 by the Finance Act, 2016

Financial Services Centre and the consideration for such transaction is paid/payable in foreign currency were exempt from income tax in terms of section 10(38) of the Income-tax Act, 1961.

However, in terms of the amendments made vide Finance Act, 2018, w.e.f 01 April 2019 i.e. from the Assessment Year 2019-20, the exemption under section 10(38) of the Income-tax Act, 1961 has been withdrawn and a new provision viz. section 112A has been introduced in the Income-tax Act, 1961 to provide that long term capital gains (in excess of Rs. 1,00,000/- per year) arising on transfer of a long term capital asset being equity shares of a domestic (Indian) company shall be taxed at 10% of such capital gains—details of which are given further hereunder:

A (i) The provisions of section 112A of the Income-tax Act, 1961 apply when the total income of an assessee (resident and non-resident) includes any income chargeable under the head "Long Term Capital Gains" from the transfer of a long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust and securities transaction tax in terms of Chapter VII of the Finance (No. 2) Act, 2004 (23 of 2004) has,—

(a) in a case where the long-term capital asset is in the nature of an equity share in a company, been paid on acquisition and (sale) transfer of such capital asset; or

(b) in a case where the long-term capital asset is in the nature of a unit of an equity oriented fund or a unit of a business trust, been paid on (sale) transfer of such capital asset

ii. It may be noted that there could be exceptional purchases and sales arising out of corporate actions like demergers, bonus, rights issues, buy backs, open offers, etc. where STT is not paid on acquisition or for transfer.

iii. In this connection, the Central Government has been conferred with the powers to notify specific nature of acquisition in respect of which the provisions pertaining to STT being paid on purchases and sales shall not apply – please refer to the Notification no. SO 1789(E) [NO.43/2017 (F.NO.370142/09/2017-TPL)] dated 05 June 2017 issued by the Central Board of Direct Taxes which provides a list of such transactions ([https://www.incometaxindia.gov.in/communications/notification/notification43\\_2017.pdf](https://www.incometaxindia.gov.in/communications/notification/notification43_2017.pdf)).

iv) Accordingly, the tax is payable by the resident/non - resident on such long-term capital gains exceeding one lakh rupees at the rate of 10% plus the applicable surcharge and Health and Education cess.

v) It may be noted that the condition of payment of STT at the time of purchase and sale shall not be applicable, if the transaction of transfer of equity share takes place on the recognized stock exchange located in any International Financial Services Centre and the consideration for such transfer is received or receivable in foreign currency.

vi) Also, for the purposes of calculating the long term capital gains u/s. 112A of the Income-tax Act, 1961, cost of acquisition of an equity share acquired before 01 February 2018, shall be higher of the following:

A. The actual cost of acquisition of equity share, and

B. Lower of the, fair market value of the equity share or the full value of consideration accruing on its transfer.

In this connection, "Fair market value" means,—

- (i) in a case where the capital asset is listed on any recognised stock exchange as on the 31st day of January, 2018, the highest price of the capital asset quoted on such exchange on the said date,

Provided that where there is no trading in such asset on such exchange on the 31st day of January, 2018, the highest price of such asset on such exchange on a date immediately preceding the 31st day of January, 2018 when such asset was traded on such exchange shall be the fair market value;

- (ii) in a case where the capital asset is a unit which is not listed on a recognised stock exchange as on the 31st day of January, 2018, the net asset value of such unit as on the said date;

- (iii) in a case where the capital asset is an equity share in a company which is—

- (A) not listed on a recognised stock exchange as on the 31st day of January, 2018 but listed on such exchange on the date of transfer;

- (B) listed on a recognised stock exchange on the date of transfer and which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31st day of January, 2018 by way of transaction not regarded as transfer under section 47, an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the financial year 2017-18 bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the first day of April, 2001, whichever is later.

4. In case of a resident investor, if at time of acquisition of equity share or at the time of transfer of equity share STT is not paid, then the capital gains would be taxable at either 10% plus the applicable surcharge and Health and Education cess if the purchase cost is not indexed or at 20% plus the applicable surcharge and Health and Education cess if the purchase cost is indexed, whichever option is more beneficial to the clients.

5. In case of an individual or HUF, being a resident of India, where the total income as reduced by such long term capital gains or short term capital gains is below the maximum amount which is not chargeable to income-tax then such long term capital gains or short term capital gains shall be reduced by such shortfall amount and only remaining balance of such long term capital gains or short term capital gains shall be subject to tax at the applicable rate.

Any STT paid is neither allowed as a deduction in computing the income chargeable under the head "capital gains" nor allowed as a deduction from the amount of income tax payable on capital gains

6. In case of a non-resident investor, if at time of acquisition of equity share or at the time of transfer of equity share STT is not paid, then the tax on gains will be taxed at the rate of 10% plus applicable surcharge and Health and Education cess.

7. The benefit of indexation will not be available to a non-resident and the capital gains arising to a non-resident will have to be determined by converting the actual amount that the shares are sold for into the currency in which the shares were initially bought. After which, the total amount of capital gains

earned through the sale will then be converted into Indian rupees at the rate applicable on the date of the sale.

8. The benefit of indexation as well as the adjustment for foreign exchange fluctuation will also not be available to the capital gains arising to a non-resident from the transfer of shares referred to in section 112A of the Income-tax Act, 1961.
9. In so far as residents are concerned, the benefit of indexation shall not be available to the capital gains arising from the transfer of shares referred to in section 112A of the Income-tax Act, 1961.
10. The loss arising on sale of equity shares purchased within 3 months prior to the record date for the entitlement of exempt dividend and sold within 3 months after such record date, is to be ignored to the extent of the dividend received or receivable on such equity shares for the purpose of computing the taxable income.
11. In case of a non-resident Indian's PMS account, tax is required to be deducted at source, and the same will be deducted from the sales proceeds by the Custodian. The certificate for the same will be provided by them as per the rules laid down by the prescribed Act.
12. Advance Tax Installment Obligations:
13. It shall be the client's responsibility to meet the obligations on account of advance tax installments payable on the due dates as per the Income-tax Act, 1961 and as amended from time to time.
14. STT is applicable on transactions of such purchase or sale equity shares in a company. The STT rates are applicable as per the Finance Act, 2009 and amended thereafter.

## ACCOUNTING POLICIES

Accounting policies for the Client Portfolio:

The Company shall follow the accounting policies as stipulated by the Institute of Chartered Accountants of India and SEBI for valuation of Portfolio assets and liabilities and recognizing income, expense, gains, benefits, impairments and losses. The accounting policies may be modified from time to time so as to conform to the changes in guidelines, if any.

System of accounting	: Mercantile basis
Valuation basis	: Valued at lower of cost or Market Value
Stock Valuation	: Market Value
Obligations	: On accrual

Benefits Accounting:

	Timing	Value
Dividends :	On ex dividend date	Net of expenses
Interest :	On ex-interest date	Net of expenses
Bonus :	On ex-bonus date	On weighted Average
Rights :	On ex-rights date	On market value of renunciations
Discounts :	On maturity	Redemption value

**Transactions costs**

PMS fees – fixed :	Quarterly	Revenue expense
PMS fees – variable :	Annually	Revenue expense
Brokerages :	On transactions date	Revenue expense
Taxes & Duties :	On transactions date	Revenue expense
Other charges :	On transactions date	Revenue expense
R&T charges :	On transactions date	Revenue expense
Custodian Charges :	On transactions date	Revenue expense
Securities Transaction Tax :	On transactions date	Revenue expense

**Provision for tax**

No provision for tax has been made on the income earned during the period since as per the Discretionary Portfolio Management Services Agreement, all tax liabilities are the Client's sole responsibility. Tax Deducted at Source on interest income is recorded on confirmation obtained from Bank.

The above accounting policies are as per Portfolio Clients Financial Statements year ended March 31, 2021 and the same accounting policies are consistently applied by the Portfolio Manager.

**INVESTORS SERVICES:**

Name, address and telephone number of the investor relation officer who shall attend to the investor queries and complaints.

Mr. Jaideep Vaidya  
Compliance Officer  
Telephone Number : +91(0)22 28583021.  
Fax : +91(0)22 28577894.

Email : [investorgrievance@acm.co.in](mailto:investorgrievance@acm.co.in)

**GRIEVANCE REDRESSAL & DISPUTE SETTLEMENT MECHANISM**

Grievances, if any, that may arise pursuant to the Portfolio Management Services Agreement entered into shall as far as possible be redressed through the administrative mechanism by the Portfolio Manager and are subject to SEBI (Portfolio Managers) Regulations, 2020 and any amendments made thereto from time to time. However, all the legal actions and proceedings are subject to the jurisdiction of court in Mumbai only and are governed by Indian Laws.

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

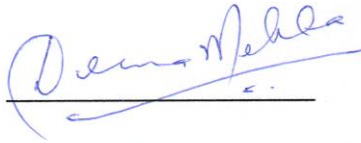
The Client may lodge his complaint with SEBI on <http://scores.gov.in/>.

All dispute, differences, questions, claims whatsoever arising between client and Asit C. Mehta Investment Intermediates Ltd. And/or their respective representative shall be settled in accordance with the provisions of the Arbitration and Conciliation Act, 1996 read along with the Arbitration and Conciliation (Amendment) Act, 2015 or any enactment / modification or re-enactment thereof for the time being in force. Such Arbitration proceedings shall be held at Mumbai or at such other places as Asit C. Mehta Investment Intermediates Ltd. thinks fit.

**Date: 30<sup>th</sup> March, 2022**

**Place: Mumbai**

**MRS. DEENA A. MEHTA**



**MR. KIRIT H. VORA**

