

CAPSTOCKS & SECURITIES (INDIA) PVT. LTD
SEBI Reg. No. INP: 000001066

**DISCLOSURE DOCUMENT
FOR
PORTFOLIO MANAGEMENT SERVICES**

(As Required under Regulation 14 of the SEBI (Portfolio Managers) Regulations, 1993)

- i. The Disclosure Document (hereinafter referred to as 'the Document') has been filed with the SEBI 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 services in a manner to assist and enable the investors in making informed decision for engaging Capstocks & Securities (India) Pvt. Ltd as a portfolio manager.
- iii. The necessary information about the portfolio manager required by an investor before investing is disclosed in this Document. Investors should carefully read the entire Document before making a decision and investors are advised to retain the document for future reference.
- iv. Omitted by SEBI, w.e.f. 11-08-08
- v. The details of the Principal Officer designated by the Portfolio Manager is as follows:

Name : Rajendran V
Address : Capstocks Towers, T.C 28/2023, Fort P.O, Trivandrum – 695 023
Telephone No. : 0471 – 2476974
Mobile No. : 09847060187
Fax : 0471 – 2461946
E-Mail : rajendranv@capstocksindia.com

Date : 23-04-2019
Place: Trivandrum

PORTFOLIO MANAGEMENT SERVICES – DISCLOSURE DOCUMENT

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1. Disclaimer clause

This Document has been prepared in accordance with the SEBI (Portfolio Managers) Regulations, 1993 as amended from time to time and filed with Securities and Exchange Board of India ("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.

2. Definition

| | |
|-------------------------------------|--|
| "CAPSTOCKS" | Capstocks & Securities (India) Pvt. Ltd |
| "NSE" | National Stock Exchange of India Ltd |
| "BSE" | Bombay Stock Exchange Ltd |
| "SEBI" | Securities and Exchange Board of India |
| "CDSL" | Central Depository Services (India) Ltd. |
| "MCX" | Multi-Commodity Exchange of India |
| "ACT" | Means the Securities and Exchange Board of India Act, 1992 (15 of 1992) as amended from time to time. |
| "Agreement or PMS Agreement" | The agreement executed between the Portfolio Manager and its Clients in terms of Regulation 14 and Schedule IV of Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993. |
| "Client" or "Investor" | The person / entity who enters into an Agreement with the Portfolio Manager. |
| "Portfolio Manager" | Capstocks & Securities (India) Pvt. Ltd, a Company incorporated under the Companies Act, 1956 and registered with Securities Exchange Board of India as a Portfolio Manager vide registration certificate no. INP:000001066 under the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993. |
| "Rules" | The Securities and Exchange Board of India (Portfolio Managers) Rules, 1993. |
| "Regulations" or "SEBI Regulations" | The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993. |
| "NAV" | Net Asset Value of the portfolio of securities of the client. |
| "Portfolio" | The total holdings of Securities managed by the Portfolio Manager on behalf of the Client pursuant to the Agreement. |
| "Principal Officer" | An officer of the Portfolio Manager who is responsible for the activities of Portfolio Management and has been designated as a Principal Officer by the Portfolio Manager. |

3. Description

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

CAPSTOCKS is a professionally managed stock broking company, having an unblemished and unparalleled service history of more than 29 years. CAPSTOCKS was started as a proprietorship concern by the present CMD, Rajendran.V, in the year 1989. Thereafter it was incorporated as a company under the Companies Act, 1956 on 27th April 2001, with Registered Office at Capstocks Towers, T.C 28/2023, Thakaraparambu Road, Fort P.O, Trivandrum -695023.

CAPSTOCKS is registered with SEBI as a Portfolio Manager with Registration No. INP: 000001066, under SEBI (Portfolio Managers) Regulations, 1993 dated 16th September 2004. The Registration is valid for a period of 3 years and was last renewed on 16/09/2016.

CAPSTOCKS is a member of the NSE, BSE & MCX (INZ000165931), Depository Participant (IN-DP-CDSL-203-2003) with the CDSL, SEBI registered Research Analyst (INH200003109), SEBI registered Investment Advisor (INA200011301) and SEBI registered Portfolio Manager (INP000001066).

The Company is managed by a team of professionals, having adequate experience in Capital market and related activities.

(ii) Promoters of the Portfolio Manager, Directors / and their Background

Promoters

CAPSTOCKS was promoted by **Shri. Rajendran V**, the Present Chairman and Managing Director and **Smt. Prema Rajendran**, Director of the company. Shri Rajendran is engaged in the securities market since 1989 and Smt. Prema Rajendran from 2001 onwards.

Directors

| Sl. No. | Name | Designation | Experience (No. of Years*) | Date of Appointment | Qualification |
|---------|------------------------|------------------------------|----------------------------|---------------------|---------------|
| 1. | Mr. Rajendran.V | Chairman & Managing Director | 29 Yrs. | 27-04-2001 | B.Tech |
| 2. | Mrs. Leela Jeyakumar | Director | 24 Yrs. | 25-07-2001 | M.Sc |
| 3. | Mr. Meera Sahib Buhari | Director | 19 Yrs | 25-07-2001 | M.Sc |
| 4. | Mrs. Prema Rajendran | Director | 19 Yrs. | 27-04-2001 | B.Com |
| 5. | Mr. S. Srinivasan | Director | 12 Yrs | 18-08-2006 | IAS (Rtd.) |

*in Stock Market

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

1. Capstocks Financial Services Ltd
2. Capstocks Commodities Pvt. Ltd
3. Capstocks Holidays And Resorts Pvt. Ltd

(iv) Details of Services being offered by the Portfolio Manager:

CAPSTOCKS offers Discretionary / Non – discretionary services, as may be determined under the PMS agreement, executed with the client / entity.

➤ **Discretionary Services**

Under these services, the portfolio manager will exercise sole and absolute discretion as to investment and/or management of the portfolio of Securities or the funds of the Client as he/she/it deems fit and in terms of the PMS agreement executed with each Client. The securities invested / disinvested by the Portfolio Manager for Clients may differ from client to client. The decision of the Portfolio Manager (taken in good faith) in deployment of the Client's Portfolio is absolute and final and cannot be called into question or be open to review at any time during the currency of the agreement or anytime thereafter, except on any ground mentioned in the PMS – Client agreement.

➤ **Non-Discretionary Services**

Under these services the Portfolio Manager executes transactions in securities in terms of the Agreement, as per directions of the Client. The Portfolio Manager's role is limited to providing research, investment advice and trade execution facility to the Client. The Portfolio Manager shall execute orders as per the mandate received from the Client / entity

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

| No | Particulars | Remarks |
|----|--|---------|
| 1 | All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Rules or Regulations made thereunder. | N/A |
| 2 | The nature of the penalty/direction. | N/A |
| 3 | Penalties imposed for any economic offence and/ or for violation of any securities laws. | N/A |
| 4 | Any pending material litigation/legal proceedings against the portfolio manager/key personnel with separate disclosure regarding pending criminal cases, if any. | N/A |
| 5 | Any deficiency in the systems and operations of the portfolio manager observed by the Board or any regulatory agency. | N/A |
| 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 thereunder. | N/A |

5. Services Offered

The Portfolio Manager offers the following two types of services:

Discretionary – *the portfolio account of the client is managed at the discretion of the Portfolio Manager, subject to SEBI rules & regulations.*

Non - Discretionary – *the portfolio, is managed in accordance with the instruction / advice of the client, subject to SEBI rules & regulation*

Investment Objective

The investment goal is to maximize returns over long term through intelligent stock picking and analysis. The main approach is to invest in a mix of securities comprising of front line stocks, mid cap stocks and identified growth stocks. A combination of Fundamental Analysis for identifying prospective scrips and Technical Analysis, to time the investments is used.

Minimum Investment Amount

Minimum Portfolio investment amount should be ₹ 25 lakhs for both Resident and Non-Resident Indian's, as stipulated under the SEBI regulation. The clients also have the liberty of offering their existing shares as capital and the same shall be valued at market rate.

Policy for investment in Associates / Group Companies of the Portfolio Manager

The policy for investment in associates/group companies of the Portfolio Manager shall be subject to the applicable laws/regulations/guidelines for the time being in force.

Transactions with Associate / Group Companies

The Portfolio Manager shall utilize services of subsidiaries / associates of CAPSTOCKS for operations of Portfolio Management Services to the extent and limits permitted under the Regulations.

6. Risk factor

- a. Securities investments are subject to market risk and there is no assurance or guarantee that the objectives of the Portfolio will be achieved.
- b. Past performance of the Portfolio Manager does not indicate the future performance of the same Portfolio or performance of any other future portfolio(s) of the Portfolio Manager.
- c. The investments made by the Portfolio Manager are subject to risks arising from the investment objective, investment strategy and asset allocation.
- d. The performance of Portfolio is subject to risk arising out of non-diversification.
- e. The value of the Portfolio may move up or down depending on the factors and forces affecting stock markets.
- f. The Portfolio Manager is neither responsible nor liable for any losses resulting from the operations of the Portfolio Investment.
- g. The Portfolio Manager shall take all reasonable steps to invest the funds in a prudent manner. The decisions taken by the Portfolio Manager may not always result in profits. Any loss arising on account of such decision is to be borne by the client.
- h. The investments of the fund and resultant investments are subject to wide range of market risks which include, but not limited to
 - Overall economic slowdown, unanticipated corporate performance, environmental or political factors(including changes in tax laws and rates), changes in Government policies and regulations with regards to industry and exports.
 - Act of state, sovereign action, Act of God etc.,
 - Misjudgment of Portfolio Manager, unsystematic settlement procedures, refusal or delay in registration of securities, non receipt of interest or dividend etc.

7. Client Representation

(i) The client representation as on 31/03/2019

| Category of Clients | No. of Clients | Funds Managed (Rs. Cr.) | Discretionary / Non Discretionary |
|------------------------------------|----------------|-------------------------|-----------------------------------|
| Associates /Group Companies | | | |
| As on March 31, 2017 | Nil | Nil | N.A |
| As on March 31, 2018 | Nil | Nil | N.A |
| As on March 31, 2019 | Nil | Nil | N.A |
| Others | | | |
| As on March 31, 2017 | 80 | 22.72 | Discretionary |
| As on March 31, 2018 | 151 | 46.09 | Discretionary |
| As on March 31, 2019 | 154 | 43.69 | Discretionary |

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

| Nature of Relationship | Name of Related Party |
|---|--|
| Enterprise where control exist – Subsidiary Company | Capstocks Financial Services Ltd Capstocks Commodities Pvt. Ltd |
| Key Management Personnel | Rajendran.V, Chairman & Managing Director |
| Relatives of Key Management Personnel | Mrs. Prema Rajendran, Wife (Director) Mrs. Leela Jeyakumar, Sister (Director) Mr. S. Srinivasan, Brother-in-law (Director) |

Transactions with related parties during the year and balance outstanding at the end of the year:-

| Nature of Transactions | Subsidiary Company | | Key Management personnel | | Relatives of key personnel | |
|---------------------------------------|--------------------|-----------|--------------------------|-----------|----------------------------|----------|
| | 2017-18 | 2016-17 | 2017-18 | 2016-17 | 2017-18 | 2016-17 |
| 1. Transaction during the year | | | | | | |
| Salary | | | 18,00,000 | 24,00,000 | 15,60,000 | 7,80,000 |
| Rent | | | 11,95,950 | 11,91,350 | | |
| Interest paid | | | | | | |
| 2. Balances at the year end | | | | | | |
| Drs./Receivable | 58,15,802 | 54,98,625 | | | | |
| Crs./Payable | | | - | 24671 | | |

(FY 2018-19, audit under way)

8. The Financial Performance of the Portfolio Manager (based on audited financial statements)

The audited financial results of M/s Capstocks & Securities (India) Pvt. Ltd for the last three financial years are set forth below:

| Particulars | Year 2017-18 | Year 2016-17 | Year 2015-16 |
|--------------------------|----------------|--------------|--------------|
| | (Rs. In Lakhs) | | |
| Sales and other income | 1305.25 | 1270.93 | 1042.40 |
| Profit / Loss Before Tax | 82.11 | 58.98 | 10.54 |
| Profit / Loss After Tax | 54.09 | 43.75 | 9.11 |
| Net Worth | 1055.85 | 1001.76 | 958.01 |
| Earning Per Share (Rs.) | 2.16 | 1.75 | 0.36 |
| Equity Share Capital | 250 | 250 | 250 |

9. Portfolio Management performance of the portfolio manager:

| Particulars | 2018-19 | 2017-18 | 2016-17 | 2015-16 |
|---|-----------|-----------|-----------|----------|
| Portfolio Performance (%), Net of all fees and charges levied by the portfolio manager. | - 6.54 % | + 6.74 % | + 56.72 % | + 1.67 % |
| Benchmark Performance % (NSE-NIFTY) | + 14.93 % | + 10.25 % | + 18.55 % | - 8.86 % |

Note: Return calculated only for live clients who have neither added nor withdrawn fund during the period

10. Nature of expenses:

The indicative fees and expenses, which a Client is likely to incur while availing of the Portfolio Management Services, are as follows:

(i) Portfolio Management Fees:

- a. A flat fee of 3% per annum, charged at the end of each quarter @ 0.75%, of average Net Asset Value.

OR

- b. A fixed management fee of 1% per annum, charged at the end of each quarter @ 0.25%, of the average Net Asset Value. An additional profit / performance fee @ 20% is charged on gain in NAV, over and above 10 % return, based on high water mark principle. The Profit / Performance fee shall be charged at the end of every financial year or on termination of the client agreement, whichever is earlier.

(ii) Custodian / Depository fees:

The charges relate to opening and operation of depository accounts, custody and transfer charges for securities, dematerialization and rematerialization and other charges in connection with the operation and management of the depository accounts.

(iii) Registrar and transfer agent fees:

Charges payable to registrars and transfer agents in connection with transfer of securities including stamp charges, cost of affidavits, notary charges, postage stamp and courier charges and other related charges would be recovered, as case may be.

(iv) Brokerage and transaction cost

The brokerage and other charges like stamp duty, transaction cost and statutory levies such as service tax, securities transaction tax, turnover fees and such other levies shall be imposed, as applicable from time to time. The trades of the PMS clients are executed through Capstocks & Securities (India) Pvt. Ltd.

11. Taxation

Investment in securities is subject to the provisions of various statutes including the Indian Income Tax Act, 1961; special reference needs to be made in respect of provisions related to securities transaction tax, capital gains, business income and all other provisions of the Income Tax Act. Provisions related to tax deduction at source shall apply, wherever applicable. Interest and dividends would be subject to tax as per the provisions of the Income Tax Act, 1961. In view of the individual nature of the tax consequences, investor is advised to consult their tax consultant with respect to the implication in the portfolio management activities. CAPSTOCKS shall provide adequate statements to the investor for accounting purpose.

12. Accounting policies

The following accounting policy / valuations will be applied for the portfolio investments of clients/entities.

Basis of Accounting

CAPSTOCKS shall maintain separate Portfolio accounts in the name of its Clients for accounting the assets of the Clients as provided under SEBI (Portfolio Managers) Regulations, 1993.

CAPSTOCKS shall maintain proper books of accounts, records and documents, of all its Clients, as part of its disclosure policy to depict a true and fair state of affairs of its Clients Portfolio.

In the case of NRI Clients, PIS permission from RBI is mandatory and buy/sell transaction shall be routed only through a designated bank.

In determining the holding cost of investments and the gains or loss on sale of investments, the First-in-First-out (FIFO) method shall be followed.

The purchase or sale of securities shall be effected on the trade date and not on the settlement date. Hence the transactions made during an year is reflected in the financial statements on the same financial year.

Maintenance of Client Account

CAPSTOCKS shall maintain a separate Demat account in the name of the investors which shall also be operated by the Portfolio Manager, by duly executed Power of Attorney.

The books of account and other records and documents shall be preserved for a minimum period of five years.

In line with SEBI circular No. IMD/DOF I/PMS/Cir- 4/2009 dated 23 June 2009, CAPSTOCKS shall keep the funds of all its clients in a separate bank account in the name of “Capstocks & Securities (India) Pvt. Ltd – Portfolio Management Client Money Account” and the following conditions are adhered there to:

- Segregation of each client’s fund through proper and clear maintenance of back office records;
- Portfolio Manager shall not use the funds of one client for another client;
- Portfolio Manager shall maintain an accounting system containing separate client-wise data for their funds and shall provide statement to clients at least once in a month; and
- Portfolio Manager shall reconcile the client-wise funds with the funds in the aforesaid bank account on a daily basis.

Portfolio Valuation

Investment in shares will be valued on the basis of Closing Prices of NSE. If securities are not listed in NSE, then the Closing Prices on BSE will be considered for valuation.

For corporate actions, ex-date accounting will be followed.

Investments by way of securities, if introduced by a client in his portfolio, shall be valued at market rate, as on the date of introduction.

Audit of Accounts

The books of account will be audited yearly by a qualified auditor to ensure that CAPSTOCKS has followed proper accounting methods and procedures and that CAPSTOCKS has performed its duties in accordance with the law.

The Portfolio Account of the client, maintained by CAPSTOCKS, shall be audited annually by an Independent Chartered Accountant and a copy of the certificate issued by the Chartered Accountant shall be given to the Client.

The Client may appoint a Chartered Accountant to audit the books of accounts of CAPSTOCKS relating to his/ its transactions and CAPSTOCKS shall co-operate with such Chartered Accountant in the course of such audit. The Chartered Accountant appointed by the client may audit the accounts and seek information relating to the accounts of the client during normal business hours on normal working days without causing hindrance to the operational activities of CAPSTOCKS. The documents or information to be provided to the client or to the Chartered Accountant appointed by the investor may be restricted by CAPSTOCKS to preserve the confidentiality and interest of other investors of CAPSTOCKS.

The client may contact the customer services official of CAPSTOCKS for the purpose of clarifying or elaborating on any of the above policy issues.

13. Investor services:

(i) Contact Information:-

Name : Mr. Karthic Babu TRS (Manager –PMS)
 Address : Capstocks Towers, T.C 28/2023,
 Thakaraparambu Road, Fort P.O,Trivandrum - 695023
 Phone Number : + 91471 4013882 / 4013887 / + 91 9847730187
 E-mail : pms@capstocksindia.com

(ii) Grievance Redressal and Dispute Settlement Mechanism :-

(a) Capstocks shall make every effort to address all investor grievances including deficiency of service, within a reasonable time period. The investor can also email his complaints to customer.redressal@capstocksindia.com. If the investor is not satisfied with the response provided through this channel the investor can escalate the issue to the Principal Officer of Capstocks & Securities (India) Pvt. Ltd at the following address:-

Name : Mr. Rajendran.V (Principal Officer)
 Address : Capstocks Towers, T.C 28/2023,
 Thakaraparambu Road, Fort P.O,Trivandrum - 695023
 Phone Number : + 91471 2476974 / + 91 9847060187
 E-mail : rajendranv@capstocksindia.com

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

(c) Escalation to the regulator: In case the investor is not satisfied with the response from the Portfolio Manager, the investor can approach The SEBI at the following address:
 Plot No.C4-A,'G' Block, Bandra Kurla Complex,
 Bandra (East), Mumbai 400051

The complaints can be also filed in SEBI COmplaints REdress System (SCORES) at <http://scores.gov.in/default.aspx>

Name and signature of at least two Directors of Portfolio Manager

| Name | Signature |
|----------------------|-----------|
| Mr. Rajendran V | |
| Mrs. Leela Jeyakumar | |

Date: 23-04-2019

Place: Trivandrum

FORM C

(As Required under Regulation 14 of the SEBI (Portfolio Managers) Regulations, 1993)

We confirm that:

- i. The Disclosure Document forwarded to SEBI is in accordance with the SEBI (Portfolio Managers) Regulations, 1993 and the guidelines and directives issued by the SEBI from time to time;
- ii. The disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us / investment in the Portfolio Management
- iii. The Disclosure Document has been duly certified on 25/04/2019 by Rajeev & Jose, Chartered Accountants represented by Mr. Rajeev (M.No.206140) having office at Sruthi, Ground Floor, Nalanda Gardens, Cosmo Residents Association Lane, Pattom, Trivandrum - 695 004 and Telephone No. 0471- 2441213 (Enclosed copy of the chartered accountants' certificate to the effect that the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision)

For and on behalf of Capstocks & Securities (India) Pvt. Ltd

Rajendran V
Principal Officer

The details of the Principal Officer of the Portfolio Manager are as follows:

| | |
|---------------|---|
| Name | : Rajendran V |
| Address | : Capstocks Towers, T.C 28/2023, Fort P.O, Trivandrum – 695 023 |
| Telephone No. | : 0471 – 2476974 |
| Mobile No. | : 09847060187 |
| Fax | : 0471 – 2461946 |
| E-Mail | : rajendranv@capstocksindia.com |

Date : 25-04-2019
Place : Trivandrum



CERTIFICATE

We have verified the books of account and records maintained by M/s. Capstocks & Securities (India) Private Limited (the company) and also disclosures made by the Company in its Disclosure Document of even date (the document) for Portfolio Management services. For the purpose of identification we have initialed the said document and the same is attached with the certificate.

On the basis of our verification and information provided to us, we certify that disclosures made in the document dated 23/04/2019 are true to the best of our knowledge. Further, the disclosures made in our opinion, are fair and adequate for the investor to take informed decision.

This certificate has been issued under **UDIN 19206140AAAAAI3123** as per the request made by the Company for the purpose of submitting the same to SEBI.

Thiruvananthapuram
25/04/2019



For Rajeev & Jose
Chartered Accountants
FR No. 08349S

Rj-A
Rajeev.A, F.C.A, DISA(ICAI)
Partner, M No.206140