



Munoth Financial Services Limited

Managing Money the Prudent Way

**DISCLOSURE DOCUMENT FOR
PORTFOLIO MANAGEMENT SCHEMES**

Munoth Growth Portfolio Scheme (MGPS)

(1)The Disclosure Document (“the Document”) has been filed with the Securities Exchange Board of India (SEBI) along with the certificate in the prescribed format in terms of Regulation 14 of the SEBI (Portfolio Managers) Regulations, 1993

(2)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 a Portfolio Manager

(3)The necessary information about the Portfolio Manager is provided on pages 5 & 6 of this Document. Investors are advised to retain the Disclosure Document for future reference.

(4)Munoth Financial Services Limited (MFSL) is registered with SEBI as on the date of this Document and holds a PMS Registration vide No. INP000000308. MFSL is also registered with SEBI as a Member of National Stock Exchange of India Limited bearing SEBI Registration No CM INB 230803634 for equity segment & INF 230803634 for Derivatives Segment, Dealer of OTCEI bearing Registration No.INB 200803630, Member of Madras Stock Exchange Limited bearing Registration No.INB 040803634 and also a Depository Participant with National Securities Depository Limited bearing Registration No.IN-DP-NSDL-30-97.

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

Name	:	Mr. Jaswant Munoth Managing Director
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1. Disclaimer Clause

Disclaimer : This Document sets forth concisely, the information about the portfolio services that a prospective investor should know before making an informed decision for engaging a Portfolio Manager. The particulars contained in the Document are in accordance with Securities & Exchange Board of India (Portfolio Managers) Regulations, 1993, as amended till date, and filed with Securities & 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. Definitions

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

1.1“**Agreement**” means Portfolio Management Service (PMS) agreement and shall include all schedules and annexure attached hereto

1.2“**Portfolio Manager**” means any person who pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client (whether as discretionary portfolio manager or otherwise) the management or administration of portfolio of securities or the funds of the client, as the case may be.

1.3“**Discretionary Portfolio Management Services**” means the portfolio management services rendered to the client, by the portfolio Manager on the terms and conditions contained in PMS agreement, where under the Portfolio Manager exercises any degree of discretion in investments or management of assets of the client.

1.4“**Application**” means the application made by the Client to the Portfolio Manager to place the monies and/or securities therein mentioned with the Portfolio Manager for Discretionary Portfolio Management services. Upon execution of PMS Agreement by the Portfolio Manager, the Application shall be deemed to form an integral part of PMS Agreement. Provided that in case of any conflict between the contents of the Application and the provisions of PMS Agreement, the provisions of PMS Agreement shall prevail.

1.5“**Assets**” means (i) the Portfolio and/or (ii) the Funds

1.6“**Bank Account**” means one or more accounts opened, maintained and operated by the Portfolio Manager with any of the Scheduled Commercial Banks in the name of the Client.

1.7“**Depository Account**” means one or more account or accounts opened, maintained and operated by the Portfolio Manager in the name of the Client with any depository or depository participant registered under the SEBI (Depositories and Participants) Regulations 1996.

Disclosure Document:

Disclosure document means this document disclosing inter alia the following as per Schedule V of SEBI (Portfolio Managers) Rules and Regulations, 1993.

- a) The quantum and manner of payment of fees payable by the client for each activity for which services is rendered by the Portfolio Manager directly or indirectly.
- b) portfolio risks
- c) complete disclosures in respect of transaction with related parties as per the accounting standards specified by the Institute of Chartered Accountants of India in this regard.
- d) Performance of the Portfolio Manager
- e) Audited financial statement of Portfolio Manager for the immediately preceding three years.

1.8“**Custodian**” means any person who carries on or proposes to carry on the business of providing custodial services.

1.9“**Funds**” means the monies managed by the Portfolio Manager on behalf of the Client pursuant to PMS Agreement and includes the monies mentioned in the Application, any further monies placed by the Client with the Portfolio Manager for being managed pursuant to PMS Agreement, the proceeds of the sale or other realization of the Portfolio and interest, dividend or other monies arising from the Assets, so long as the same is managed by the Portfolio Manager.

1.10“**Net Asset Value**” (**NAV**): Net Asset Value is the market value of assets in portfolio consisting of equity, debt, cash & cash equivalents.

1.11“**Parties**” means the Portfolio Manager and the Client; and “Party” shall be construed accordingly.

1.12“**Person**” includes any individual, partners in partnership, central or state government, company, body corporate, co-operative society, corporation, trust, society, Hindu Undivided Family or any other body of persons, whether incorporated or not.

1.13“**Portfolio**” means the Securities managed by the Portfolio Manager on behalf of the Client pursuant to PMS Agreement and includes any Securities mentioned in the Application, any further Securities placed by the Client with the Portfolio Manager for being managed pursuant to PMS Agreement, Securities acquired by the Portfolio Manager through investment of Funds and bonus and rights shares in respect of Securities forming part of the Portfolio, so long as the same is managed by the Portfolio Manager.

1.14“**Portfolio Management Fees**” shall have the meaning attributed thereto in Clause (9) below.

1.15“**Regulations**” means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, as may be amended from time to time;

1.16“**Rules**” means Securities and Exchange Board of India (Portfolio Managers) Rules, 1993, as may be amended from time to time.

1.17“**Scheduled Commercial Bank**” means any bank included in the second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934).

1.18“**SEBI**” means Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act.

1.19“**Securities**” includes:

(i)“securities” as defined under the Securities Contracts (Regulation) Act, 1956;

(ii)shares, scrips, stocks, bonds, warrants, convertible and non-convertible debentures, fixed return investments, equity linked instruments, negotiable instruments, deposits, money market instruments, commercial paper, certificates of deposit, units issued by the Unit Trust of India and/or by any mutual funds, mortgage backed or other asset backed securities, derivatives, derivative instruments, options, futures, foreign currency commitments, hedges, swaps or netting off and any other securities issued by any company or other body corporate, any trust, any entity, the Central Government, any State Government or any local or statutory authority and all money rights or property that may at any time be offered or accrue (whether by rights, bonus, redemption, preference, option or otherwise) and whether in physical or dematerialized form in respect of any of the foregoing or evidencing or representing rights or interest therein; and

(iii)any other instruments or investments (including borrowing or lending of securities) as may be permitted by applicable law from time to time.

3. Description

a. History, Present Business & Background

Munoth Financial Services Limited was incorporated on November 1, 1990 under the Companies Act 1956 and is a widely-held Public Limited Company. The equity shares of the company are listed on the Madras Stock Exchange and The Stock Exchange, Mumbai. MFSL operates from its own office premises of nearly 4500 Sq.ft centrally located in Chennai. It has state-of-the art infrastructure to provide impeccable service to its investors.

MFSL is a Merchant Banker, Portfolio Manager, Member of National Stock Exchange (for equity & derivative segments), Member of Madras Stock Exchange, Dealer on OTCEI, Share Transfer Agent (Category II) & Depository Participant with National Securities Depository Limited.

MFSL has a reputation for prompt services and transparent deals. MFSL has qualified and trained manpower comprising Chartered Accountants, Management Graduates, Cost Accountants and Company Secretaries who are geared towards understanding and achieving the financial goals of all its clients in the aforesaid areas.

MFSL has the right mix of qualified and experienced personnel to provide Advisory Services and Research Analysis for Investors. MFSL has a comprehensive website www.munothfinancial.com. MFSL is equipped with Charting Software like Metastock version 7.2, Stock Watch & in-house maintenance of Databases like Annual Reports, compilation of new activities/latest developments in Industry/Sectors, Archives of Research reports (in house & secondary sources), Journals & Newspapers like Capital Market, Institutional Investor, etc. MFSL has a specialized accounting software called "Miles Software" for Portfolio Management. This provides automated MIS reports and periodical SEBI reports.

b. Promoters & Directors

The Promoters of Munoth Group hails from Marwar in Rajasthan. They are known for impeccable and highest standard of ethics and have rich experience in a variety of business including finance down the generations for over a hundred year now.

The Group is managed by Mr Lalchand Munoth as Chairman and supported by his three Sons Mr Jaswant Munoth, Mr Bharat Munoth & Mr Vikas Munoth.

Particulars of Board of Directors

Name	Background
Shri Lalchand Munoth (Chairman)	38 Yrs of experience in Money Management.
Mr Jaswant Munoth	B.Com; MBA with 13 Yrs of experience in capital market related activities
Mr Bharat Munoth	Commerce graduate with 9 Yrs of experience in stock broking
Datuk Rajandram	Is a fellow of Australian Society of Certified practicing Accountants & is Executive deputy Chairman of Rating Agency Malaysia. He was also the secretary of Capital issues committee (CIC) before his secondment to the ministry of finance as the director, monitoring of Government Companies & Agencies unit.
Mr Mah Sau Cheong	Is the chairman of South Malaysian Industries group engaged in the business of Real estate, entertainment, stock broking & Insurance
Shri Ashok Kumbhat	B.com (Hons.), F.C.A by qualification, is Chairman of M/S Kumbhat Financial Services Ltd., which carries on business in Leasing & Hire purchase. He was President of Institute of Chartered Accountants of India. Presently is the President of the All tax payers Association Tamil Nadu chapter 1, Chennai.
Mr Vikas Munoth	B.Com, MBA, CFA with 6 Yrs experience in capital market related areas.
Mr V Sankaran	36 years of experience in Finance, costing and secretarial matters in Public & Private Sector companies.

c. Group Companies of MFSL

1. Munoth Communication Limited
2. Munoth Industries Limited
3. Shankeswar Finance & Investments Pvt Ltd
4. Maharana Finance & Investments Pvt Ltd
5. South India Chemicals & Leasing Pvt Ltd
6. Jaswant Estates Pvt Ltd
7. Munoth INS Bioscience Ltd (Formerly known as Jaswant Finance & Investments Limited)

d. Details of Services being offered: Discretionary /Non-Discretionary/Advisory.

MFSL offers PMS Scheme under discretionary type.

4. Penalties & Pending Litigations

i.	Cases of penalties imposed by SEBI under the SEBI Act or any of its regulations against the Portfolio Manager	Nil
ii.	The nature of the penalty/direction	NA
iii.	Penalties imposed for any economic offence and/ or for violation of any securities laws	Nil
iv.	Pending material litigation / legal proceedings against the Portfolio Manager / key personnel with separate disclosure regarding pending criminal cases, if any	Nil
v.	Any deficiency in the systems and operations of the Portfolio Manager observed by the SEBI or any regulatory agency	Nil
vi.	Any enquiry / adjudication proceedings initiated by the Board against the Portfolio Manager or its directors, principal officer or employee or any person directly or indirectly connected with the Portfolio Manager or its directors, principal officer or employee, under the Act or Rules or Regulations made there under *	Nil

* The above information is to the best of the Company's knowledge and information

5.Services Offered

Scheme: Munoth Growth Portfolio Scheme (MGPS)

Fundamental Attributes Of The Scheme:

a) General:

The Services offered by the Portfolio Manager under the above Scheme would be "Discretionary" in nature. Investments will primarily be made in equities and sometimes in Bank deposit & debt instruments. The Portfolio Manager will not invest in shares of group companies.

➤ **Investment Objective**

The investment objective of MGPS is to generate capital appreciation on investment for investor in line with the risk profile. This will be done by primarily investing in equity.

➤ **Investment Pattern**

MGPS shall invest in a mix of equity, equity related securities and derivatives, to generate capital appreciation. When opportunities are not available in equity market, the Portfolio Manager might invest in Bank deposit for a short time/debt instruments.

➤ **Minimum Portfolio Size** (Portfolios accepted in cash and cash equivalent by way of securities.

For Individual, Corporate Bodies, HUF's, Trusts, etc. – Rs. Ten Million

b) Rights of the Investors:

The Portfolio Manager shall furnish to the Client periodically in writing all the information regarding the Assets and all purchases and sales of Securities made by the Portfolio Manager on behalf of the Client as provided herein ("Report"). In particular, within (30) days of the expiry of each calendar quarter or as and when required by the client. The Portfolio Manager shall furnish to the Client a report for such previous quarter containing the following details, namely:

(i) the composition and the value of the Assets (Funds and Securities), description of the Securities, number of Securities, value of each Security held as part of the Assets, cash balance and aggregate value of the Assets as on the date of Report;

(ii) Transactions undertaken by the Portfolio Manager during period covered by the Report including date of transaction and details of purchases and sales;

(iii) income or other interest received during the concerned period in respect of the Assets by way of interest, dividend, bonus shares, rights shares and debentures or otherwise;

(iv) expenses incurred in managing the Assets of the Client;

Provided that during any such quarterly period if the term of this Agreement shall expire on a date other than the last day of March, June, September, or December as the case may be, of a calendar year, the period covered by the last of such quarterly report shall end on that date.

Nothing herein shall extend the obligation of the Portfolio Manager to provide any information relating to any other investments or securities of the Client which do not form part of the Assets.

6. Risk Factors

- i) Securities investments are subject to market and other risks and there can be no guarantee against loss resulting from an investment in the scheme nor can there be any assurance that the scheme's objectives will be achieved.
- ii) The past performance of the Portfolio Manager does not indicate the future performance of the same scheme or any other future schemes of the Portfolio Manager.
- iii) Risk arising from the investment objective, investment strategy and asset allocation are mentioned as follows:
 - The liquidity of the portfolio may be restricted by trading volumes and settlement periods. Different segments of the Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. Delays or other problems in settlement of transactions could result in temporary periods when the assets of the scheme are un-invested and no return is earned thereon. The inability of the Portfolio Manager to make intended securities purchases, due to settlement problems, could cause the Portfolio to miss certain investment opportunities. By the same token, the inability to sell securities held in the portfolio, due to the absence of a well developed and liquid secondary market for debt securities, would result at times, in potential losses to the Portfolio, should there be a subsequent decline in the value of securities held in the portfolio.
 - The liquidity and valuation of the Portfolio's investments due to its holdings of unlisted securities may be affected if they have to be sold prior to their target date of divestment.
 - Corporate debt securities are subject to the risk of an issuer's inability to meet interest and principal payments on its debt obligations (credit risk). Debt securities may also be subject to price volatility due to factors such as changes in interest rates, general level of market liquidity and market perception of the creditworthiness of the issuer, among others (market risk). The Portfolio Manager will endeavour to manage credit risk through in-house credit analysis. The Portfolio Manager may also use various hedging products from time to time to reduce the impact of undue market volatility on the portfolio.
 - The value of the portfolio, to the extent invested in fixed income securities, will be affected by changes in the general level of interest rates. When interest rates decline, the value of a portfolio of fixed income securities can be expected to rise. Conversely, when interest rates rise, the value of a portfolio of fixed income securities can be expected to decline.

- As with any investment in securities, the value of the portfolio can go up or down depending on various factors that may affect the values of the investments. In addition to the factors that affect the value of individual securities, the value of the portfolio can be expected to fluctuate with movements in the broader equity and bond markets and may be influenced by factors affecting capital markets in general, such as, but not limited to, changes in interest rates, currency exchange rates, changes in governmental policies, taxation, political, economic or other developments and increased volatility in the stock and bond markets.
 - Subject to necessary approvals as may be required and within the investment objectives of the Portfolio, the Portfolio Manager may invest in overseas markets which carry a risk on account of fluctuations in foreign exchange rates, nature of securities market of the country concerned, repatriation of capital due to exchange controls and political circumstances.
 - As and when the Portfolio Manager trades in the derivative products, there are risk factors and issues concerning the use of derivatives that investors should understand. Derivatives require the maintenance of adequate controls to monitor the transactions and the embedded market risks that a derivative adds to the portfolio. Besides the price of the underlying asset, the volatility, tenor and interest rates affect the pricing of derivatives. Other risks in using derivatives include but are not limited to : (a) Credit Risk – this occurs when a counterparty defaults on a transaction before settlement and therefore, the Portfolio Manager is compelled to negotiate with another counter party, at the then prevailing (possibly unfavourable) market price, in order to maintain the validity of the hedge. For exchange traded derivatives, the risk is mitigated as the exchange provides the guaranteed settlement but one takes the performance risk on the exchange. (b) Market Liquidity risk where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices. (c) Model Risk, the risk of mis-pricing or improper valuation of derivatives. (d) Basis Risk arises when the instrument used as a hedge does not match the movement in the instrument/underlying asset being hedged. The risks may be inter-related also; for e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets.
- iv) Risk arising out of non diversification: The investment objectives of one or more of the portfolio management schemes could result into concentration on a specific asset/asset class/sector/issuer etc., which could expose the portfolio to improper and/or undesired diversification.
- v) In case the portfolio invests in mutual funds registered with SEBI, scheme specific risk factors of each such underlying scheme will be applicable to the Portfolio. All risks associated with such underlying schemes, including performance of their underlying stocks, derivative instruments, stock-lending, off-shore investments etc., will therefore be applicable to the Portfolio. Clients are required to and deemed to have read and understood the risk factors of the underlying schemes.

7. Client Representation

i. MFSL has managed the following portfolios under the MGPS:

Category	Number of Clients	Total of funds managed	Type of scheme
Non-Resident Indian	Two	Rs.55 million	Discretionary

ii. Portfolio Manager will execute all broking transactions under MGPS through MFSL which is registered as a Member of National Stock Exchange of India Limited bearing SEBI Registration No CM INB 230803634 for equity segment & INF 230803634 for Derivatives Segment, Dealer of

OTCEI bearing Registration No.INB 200803630, Member of Madras Stock Exchange Limited bearing Registration No.INB 040803634 and also a Depository Participant with National Securities Depository Limited bearing Registration No.IN-DP-NSDL-30-97. Depository operations for PMS clients would be executed through MFSL.

iii. No related party transactions done.

8. Financial Performance

(i) Financial Performance of MFSL based on audited financial statements

(Rs.in million)				
Particulars	2005-06	2004-05	2003-04	2002-03
Total Income	23.49	13.60	19.92	14.11
Gross Profit	11.88	4.25	6.15	1.86
Non-cash Charges	0.84	0.96	1.19	1.64
Operating Income Before Tax	11.04	3.28	4.96	0.22
Provision for taxation	3.56	1.07	1.33	0.08
Operating Income After Tax	7.48	2.21	3.62	0.13
Paid up capital	51.35	51.35	52.26	52.26
Reserves & Surplus	41.01	33.53	31.32	27.70
Networth	92.62	85.14	82.93	88.94

(ii) Portfolio Management performance as on FY ending 31.03.2006:

Types of services	Discretionary Nature
No. of portfolio clients	2
Total amount of funds managed	Rs.55 million
Average size of portfolio	Rs.27.5 million
Average return to client	17.73%
Average no. of scrips a client exposed to as on as on the last date of the period	10
Portfolio Turnover Ratio (= Cumulative Purchases / Funds under portfolio management) for the period	449.11
Gross sales (Amount in Rs. of top ten scrips) (April 05–Mar 06)	Rs. 148.70 million
Gross purchases (Amount in Rs. of top ten scrips) (April 05–Mar 06)	Rs. 146.10 million
Average period of PM scheme	One Year

9. Product Features & Schedule Of Fees:

Product Features:

❖ Minimum Size: Rs.10 million in Cash or by way of approved securities per individual

Schedule of Fees:

(a) **Management Fees:** Base Minimum Fees charged : 0.25% per quarter.

Management fees on any infusion and withdrawals within quarter would be charged on pro-rata basis.

(b) **Depository/Custody Fees:** Depository fees for MFSL as Depository Participant would be 0.25% per annum (payable quarterly) of assets under management, subject to minimum of Rs.10,000/- per annum and maximum of Rs.50,000 per annum (payable quarterly) based on closing NAV for the quarter. External custodian/depository participant fees, where such is appointed by the client, will be as fixed by them.

(c) **Performance based Management Fees:** Performance based management fees would be charged based on performance in terms of positive returns on the portfolio at 10% of the excess return generated over the hurdle rate as defined below:

Hurdle rate: 10% of the corpus

Expenses:

Other Charges: Bank charges/Bank guarantee charges, Service Tax or any other levies either statutory or not, as may be applicable, will be payable by the client.

Brokerage on trade: Brokerage on trade would be normally capitalised and the same may be upto 1%

10. Taxation

A) Tax Benefits

a) Dividend

Income by way of dividends distributed by domestic companies and income received in respect of units of a Mutual Fund registered with SEBI, held in the Portfolio Management Scheme, is exempt in the hands of the investors.

b) Capital Gains

i) Long term Capital Gains

Shares in a company, units of a Mutual Fund registered with SEBI and other listed securities held as capital assets are treated as long term capital assets if they are held for a period of more than twelve months preceding the date of transfer.

A. Under Section 112 of the Income Tax Act, the capital gains arising from the transfer of a long term capital asset being listed securities or units or zero coupon bond (as defined therein (subject to what is stated in para B below) in case of both resident and non resident investors [subject to what is stated in (f) below] will be taxable at the rate of 10 percent without indexation or 20 percent with indexation whichever is lower (plus applicable surcharge and educational cess).

From the full value of consideration, the following amounts should be deducted to arrive at the amount of long-term capital gains:

- i. Cost of acquisition as adjusted by the cost inflation index notified by the Central Government in the Official Gazette; and
- ii. Expenditure incurred wholly and exclusively in connection with such transfer.

Where in case of an individual or an HUF, being a resident, the total income as reduced by such long term capital gains is below the maximum amount which is not chargeable to income tax, then such long term capital gains shall be reduced to the extent of such shortfall and only the balance of the long term capital gains will be subject to the flat rate of taxation.

B. Under section 10(38) of the Income Tax Act, capital gains arising from the transfer of a long term capital asset being equity shares or units of an equity oriented fund (as defined therein) entered into after October 1, 2004, and where such transactions is chargeable to securities transaction tax, is exempt from income tax.

ii) Short term capital gains.

A. Securities, including units of a mutual fund, held as a capital asset for not more than twelve months preceding the date of their transfer are short-term capital assets. Capital gains arising from the transfer of short-term capital assets (except equity shares or units of an equity oriented fund referred to in section 111A read with section 10(38) of the income Tax Act) will be subject to tax at the normal rates of tax applicable to such investor (as increased by applicable surcharge and educational cess).

B. Capital gains arising from the transfer of a short term capital asset being equity shares or units of an equity oriented fund referred to in section 111A read with section 10(38) of the Income Tax Act, and where such transaction is chargeable to securities transaction tax, is chargeable to tax at the rate of 10% (plus applicable surcharge and educational cess).

Where in case of an individual or an HUF, being a resident, the total income as reduced by such short term capital gains is below the maximum amount which is not chargeable to income tax, then such short term capital gains shall be reduced to the extent of such shortfall and only the balance of the short term capital gains will be subject to the flat rate of taxation.

c. Surcharge

A surcharge of 10 percent is levied on tax payable by corporate assesses, and firms. Further, a surcharge of 10 percent is levied on the tax payable by individuals/Hindu Undivided Families/ Body of Individuals and Association of Persons having total income exceeding Rs.1,000,000. Accordingly, the rates of tax and TDS rates mentioned above, will be increased by applicable surcharge.

d. Education Cess

A Cess of 2 percent is levied on tax payable including surcharge, if any, by all the assesses. Accordingly, the rates of tax and TDS rates mentioned above will be increased by the cess.

e. Special Provisions for Non-Resident Investors

i) Exchange Rate Fluctuation

As per the first proviso to section 48 of the Income Tax Act when a non-resident sells shares or debentures of an Indian Company, the capital gain thereon shall be computed by converting the cost of acquisition and the sale consideration to the currency that was initially utilized to purchase the shares or debentures, calculating the gain thereon and re-converting the gain into Indian Rupees for the purpose of taxation. The benefit of adjusting the cost of acquisition with the cost inflation index is not available in this case.

ii) Benefit of Double Taxation Avoidance Agreement

As per the provisions of Section 90(2) of the Income Tax Act, the provisions of the Double Taxation Avoidance Agreement ("DTAA") or the Income Tax Act, whichever are more beneficial to the assessee shall apply. Accordingly, if the Investor is a resident of a treaty country, the provisions of the DTAA or of the Income Tax Act, whichever are more beneficial to the Investor, shall apply.

iii) Chapter XIA benefits

The provisions of Chapter XIA of the Income Tax Act provide for beneficial tax treatment for investment income of Non-resident Indians, from investment in specified assets purchased in convertible foreign exchange. Specified assets inter alia include:

Shares in an Indian Company
Debentures issued by an Indian Company (other than a private company)

Investment Income (other than dividends declared by an Indian Company) is taxable at 20% (as increased by the applicable surcharge and education cess) and long-term capital gains are chargeable to tax at 10% (as increased by the applicable surcharge and education cess).

The Investor has the option to be governed either by the provisions of Chapter XIA or the normal provisions of the Income Tax Act.

f. Special provisions relating to derivatives.

The Finance Act, 2005 has inserted clause (d) in the proviso to section 43(5) of the income Tax Act to provide that specified transactions in derivatives would not be deemed

to be “speculative transactions”. Accordingly, the amount received/paid on settlement of the contract for such derivative transactions would not be regarded as speculation gain/loss. Such receipt/payment would normally be regarded as business income/loss. Deviation, if any would depend on the specific facts and circumstances attributable to each investor.

Securities Transaction Tax (STT)

STT is chargeable in respect of taxable securities transaction as per the table below:

	Taxable Securities Transaction	Rate (w.e.f. June 1, 2006)
i.	Purchase & sale of Equity Share in a company or an unit of equity oriented MF entered through a recognised stock exchange & settled by actual delivery or transfer of such share or unit	0.125% each on purchase& sale
ii.	Sale of Equity Share in a company or an unit of equity oriented MF entered through a recognised stock exchange & settled otherwise than by actual delivery or transfer of such share or unit	0.025%
iii.	Sale of a derivative entered through a recognised stock exchange	0.017%
iv.	Sale of units of equity oriented Mutual Fund to the Mutual Fund	0.25%

11. Accounting Policies

The Portfolio Manager shall follow the accounting policies in respect of portfolio investments of the clients as detailed below:

- The Portfolio Manager, shall keep and maintain proper books of accounts, records and documents, for each client so as to explain transactions for each client and to disclose at any point of time the financial position of each of the client and in particular give a true and fair view of the state of affairs of the Portfolio for each client.
- For the purpose of the financial statements, the portfolio managers shall mark all investments to cost and carry investments in the balance sheet at cost price.
- Dividend income shall be recognized, not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments, which are not quoted on the stock exchange, dividend income would be recognized on the date of declaration.
- In respect of all interest-bearing investments, income shall be accrued on a day to day basis as it is earned. Therefore when such investments are purchased, interest paid for the period from the last interest due date up to the date of purchase should not be treated as a cost of purchase but shall be debited to interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale must not be treated as an additional to sale value but shall be credited to Interest Recoverable Account.
- In determining the holding cost of investment and the gains or loss on sale of investments, the “Weighted Average” method shall be followed.
- Transaction for purchase or sale of investments shall be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisition through private placement or purchases or sales through private treaty, the transaction would be recorded in the event of a purchase, as of the date on which the Client obtains an enforceable obligation to pay the price or, in the event of a sale, when the Client obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
- Bonus shares shall be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, rights entitlements shall be recognized only when the original shares on which the rights entitlement accrues are traded on the stock exchange on an ex-right basis.

- Where income receivable on investments has accrued but has not been received, provision shall be made by debiting to the revenue account.
- The cost of investments acquired or purchased shall include all such costs incurred for effecting such acquisition/purchase. In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of investment.

The accounting policies and standards as outlines above are subject to change made from time to time by Portfolio Manager. However such changes would be conformity with the Regulations.

12. Investor Services

I. Detail of Investor Relations Officer of the Portfolio Manager is as under:

Mrs Ranjani Padmanabhan
Portfolio Management Division
Munoth Financial Services Limited
Munoth Centre, Suite No.46 & 47, 3rd Floor
343, Triplicane High Road
Chennai 600005
Phone:044-28591185 Fax:044-28591188
Email:ranjani@munothfinancial.com

ii. Investor Grievance Redressal Mechanism:

Where the Client has any grievance, he should promptly notify the same to the Investor's relations Officer of Portfolio Manager in writing, giving full details to enable the Portfolio Manager to take necessary steps. The Portfolio Manager upon receipt of such grievance shall take prompt action to resolve the same.

Signature of the Principal Officer
(Jaswant Munoth)

Place: Chennai
Date : September 30, 2006

Instructions:

Please read the Disclosure Document containing the terms of the Schemes offered by the Portfolio Manager. All applicants are deemed to have accepted the terms subject to which the services are being provided and bind themselves to the terms upon signing the Registration Form and other related documents.

Procedure for Subscribing to the Scheme(s):

(i) Fill the PMS Client Registration/Application form in full, specifically mentioning the Scheme the Client wishes to opt

(ii) Execute a PMS Agreement on a non-judicial stamp paper, of such value as may be applicable to the respective States of the Clients

(iii) Execute a Power of Attorney, in favour of MFSL, duly notarized on a non-judicial stamp paper of Rs. 100/-

(iv) Fill up and sign the Bank account opening form. The basic formalities for opening the bank accounts are same for all the branches.

(v) Cheques / Demand Drafts for Portfolio management are to be made out in the name of the Investor/MFSL. Cheques / Demand Drafts for funds set out for initial investments under Portfolio Management Scheme will be credited to a separate account, to be opened/being operated in the name of investor/MFSL.

(vi) Fill up and sign the Depository account opening form and depository agreement. Securities already held by the investor and which are being offered for the scheme, need to be transferred to a separate account, to be opened by the investor with MFSL DP mandated for the purpose of the scheme.

(vii) Fill up and sign Broking Account opening form.

(viii) If the investor is offering his existing portfolio for the scheme, he has to provide the list of securities in the format-annexed along with the PMS agreement. The acceptance of any securities offered by the investor would be at the sole discretion of Portfolio Manager

(ix) The Portfolio Management Service shall begin once all the formalities are complete to the satisfaction of Portfolio Manager

(x) MFSL will have the sole discretion regarding acceptance of a person as an investor
