



Klay Securities Private Limited  
Portfolio Management Services – Disclosure Document

**KLAY SECURITIES PRIVATE LIMITED**

**DISCLOSURE DOCUMENT PORTFOLIO  
MANAGEMENT SERVICES**

SEBI Registration No.	INP000006280
CIN	U74140MH2016FTC287916



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**DISCLOSURE DOCUMENT OF PORTFOLIO MANAGEMENT SERVICES BEING OFFERED BY  
KLAY SECURITIES PRIVATE LIMITED**

**KEY INFORMATION AND DISCLOSURE DOCUMENT FOR PORTFOLIO MANAGEMENT  
SERVICES UNDERTAKEN BY KLAY SECURITIES PRIVATE LIMITED**

1. This Disclosure Document has been filed with the Securities and Exchange Board of India (SEBI) along with a certificate in the prescribed format in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations 2020.
2. The purpose of the Disclosure Document is to provide essential information about the portfolio management services in a manner to assist and enable the Investors in making decisions for engaging a Portfolio Manager.
3. This Disclosure Document is dated **January 22, 2026**, and contains necessary information about the portfolio manager required by an investor before investing, and the investor is hereby advised to retain the document for future reference.

- Investors should carefully read the entire document before making a decision and should retain it for future reference.
- Investors may also seek further clarifications after the date of this document from the service provider.

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

<b>Name Of the Principal Officer</b>	Mr. Ian D'souza
<b>Phone</b>	+91 22 6910 6000 / +9197696 43444
<b>Email</b>	<a href="mailto:ian@klaygroup.com">ian@klaygroup.com</a>
<b>Website</b>	<a href="http://www.klaygroup.com">www.klaygroup.com</a>
<b>Date</b>	<b>January 22, 2026</b>



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**Classification of sixteen parameters of Model Disclosure document**

**Part-I Static section:**

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**PART-I- Static Section**

**1. Disclaimer Clause**

This Document has 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 this Document.

The distribution of this Document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this Document are required to inform themselves about and to observe any such restrictions.



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2. Definitions

In this Disclosure Document, unless the context otherwise requires, the following words and expressions shall have the meaning assigned to them:

SN	TERMS	MEANING
1.	<b>“Act”</b>	means the Securities and Exchange Board of India Act, 1992.
2.	<b>“Accreditation Agency”</b>	means a subsidiary of a recognized stock exchange or a subsidiary of a depository or any other entity as may be specified by SEBI from time to time.
3.	<b>“Accredited Investor”</b>	<p>means any person who is granted a certificate of accreditation by an accreditation agency who:</p> <ul style="list-style-type: none"><li>(i) in case of an individual, HUF, family trust or sole proprietorship has:<ul style="list-style-type: none"><li>(a) annual income of at least two crore rupees; or</li><li>(b) net worth of at least seven crore fifty lakh rupees, out of which not less than three crores seventy-five lakh rupees is in the form of financial assets; or</li><li>(c) annual income of at least one crore rupees and minimum net worth of five crore rupees, out of which not less than two crore fifty lakh rupees is in the form of financial assets.</li></ul></li><li>(ii) in case of a body corporate, has net worth of at least fifty crore rupees;</li><li>(iii) in case of a trust other than family trust, has net worth of at least fifty crore rupees;</li><li>(iv) in case of a partnership firm set up under the Indian Partnership Act, 1932, each partner independently meets the eligibility criteria for accreditation:</li></ul> <p>Provided that the Central Government and the State Governments, developmental agencies set up under the aegis of the Central Government or the State Governments, funds set up by the Central Government or the State Governments, qualified institutional buyers as defined under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, Category I foreign portfolio investors, sovereign wealth funds and multilateral agencies and any other entity as may be specified by the Board from time to time, shall deemed to be an accredited investor and may not be required to obtain a certificate of accreditation.</p>



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4.	<b>“Advisory Services”</b>	means advising on the portfolio approach, investment and divestment of individual Securities in the Client’s Portfolio, entirely at the Client’s risk, in terms of the Regulations and the Agreement.
5.	<b>“Agreement” or “Portfolio Management Services Agreement” or “PMS Agreement”</b>	means agreement executed between the Portfolio Manager and its Client for providing portfolio management services and shall include all schedules and annexures attached thereto and any amendments made to this agreement by the parties in writing, in terms of Regulation 22 and Schedule IV of the Regulations.
6.	<b>“Applicable Law/s”</b>	means any applicable statute, law, ordinance, regulation, rule, order, bye-law, administrative interpretation, writ, injunction, directive, judgment or decree or other instrument including the Regulations which has a force of law, as is in force from time to time.
7.	<b>“Assets Under Management” or “AUM”</b>	means aggregate net asset value of the Portfolio managed by the Portfolio Manager on behalf of the Clients.
8.	<b>“Associate”</b>	means (i) a body corporate in which a director or partner of the Portfolio Manager holds either individually or collectively, more than twenty percent of its paid-up equity share capital or partnership interest, as the case may be; or (ii) a body corporate which holds, either individually or collectively, more than twenty percent of the paid-up equity share capital or partnership interest, as the case may be of the Portfolio Manager.
9.	<b>“Bank”</b>	means any scheduled commercial bank, with which the Portfolio Manager will open and operate the bank accounts for the purpose of portfolio management services.
10.	<b>“Benchmark”</b>	means an index selected by the Portfolio Manager in accordance with the Regulations, in respect of each Investment Approach to enable the Clients to evaluate the relative performance of the Portfolio Manager.
11.	<b>“Board” or “SEBI”</b>	means the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992.



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12.	<b>“Business Day”</b>	means any day, which is not a Saturday, Sunday, or a day on which the banks or stock exchanges in India are authorized or required by Applicable Laws to remain closed or such other events as the Portfolio Manager may specify from time to time.
13.	<b>“Client(s)” / “Investor(s)”</b>	means any person who enters into an Agreement with the Portfolio Manager for availing the services of portfolio management as provided by the Portfolio Manager.
14.	<b>“Custodian(s)”</b>	means an entity registered with the SEBI as a custodian under the Applicable Laws and appointed by the Portfolio Manager, from time to time, primarily for custody of Securities of the Client.
15.	<b>“Depository”</b>	means the depository as defined in the Depositories Act, 1996 (22 of 1996).
16.	<b>“Depository Account”</b>	means an account of the Client or for the Client with an entity registered as a depository participant under the SEBI (Depositories and Participants) Regulations, 1996.
17.	<b>“Direct on-boarding”</b>	means an option provided to clients to be on-boarded directly with the Portfolio Manager without intermediation of persons engaged in distribution services.
18.	<b>“Disclosure Document” or “Document”</b>	means the disclosure document for offering portfolio management services prepared in accordance with the Regulations.
19.	<b>“Distributor”</b>	means a person/entity who may refer a Client to avail services of Portfolio Manager in lieu of commission/charges (whether known as channel partners, agents, referral interfaces or by any other name).
20.	<b>“Eligible Investors”</b>	means a Person who: (i) complies with the Applicable Laws, and (ii) is willing to execute necessary documentation as stipulated by the Portfolio Manager.
21.	<b>“Fair Market Value”</b>	means the price that the Security would ordinarily fetch on sale in the open market on the particular date.
22.	<b>“Foreign Portfolio Investors” or “FPI”</b>	means a person registered with SEBI as a foreign portfolio investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 as amended from time to time.



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23.	<b>“Financial Year”</b>	means the year starting from April 1 and ending on March 31 in the following year.
24.	<b>“Funds” or “Capital Contribution”</b>	means the monies managed by the Portfolio Manager on behalf of the Client pursuant to the Agreement and includes the monies mentioned in the account opening form, any further monies placed by the Client with the Portfolio Manager for being managed pursuant to the Agreement, the proceeds of 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.
25.	<b>“Group Company”</b>	shall mean an entity which is a holding, subsidiary, associate, subsidiary of a holding company to which it is also a subsidiary. <sup>i</sup>
26.	<b>“HUF”</b>	means the Hindu Undivided Family as defined in Section 2(31) of the IT Act.
27.	<b>“Initial Corpus”</b>	means the value of the Funds and the value of readily realizable Securities brought in by the Client at the time of registering as a Client with the Portfolio Manager and accepted by the Portfolio Manager.
28.	<b>“Investment Approach”</b>	is a broad outlay of the type of Securities and permissible instruments to be invested in by the Portfolio Manager for the Client, taking into account factors specific to Clients and Securities and includes any of the current Investment Approach or such Investment Approach that may be introduced at any time in future by the Portfolio Manager.
29.	<b>“IT Act”</b>	means the Income Tax Act, 1961, as amended and restated from time to time along with the rules prescribed thereunder.
30.	<b>“Large Value Accredited Investor”</b>	means an Accredited Investor who has entered into an Agreement with the Portfolio Manager for a minimum investment amount of ten crore rupees.
31.	<b>“Non-resident Investors” or “NRI(s)”</b>	shall mean non-resident Indian as defined in Section 2 (30) of the IT Act.
32.	<b>“NAV”</b>	shall mean Net Asset Value, which is the price; that the investment would ordinarily fetch on sale in the open market on the relevant date, less any receivables and fees due.



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33.	<b>“NISM”</b>	means the National Institute of Securities Markets, established by the Board.
34.	<b>“Person”</b>	includes an individual, a HUF, a corporation, a partnership (whether limited or unlimited), a limited liability company, a body of individuals, an association, a proprietorship, a trust, an institutional investor and any other entity or organization whether incorporated or not, whether Indian or foreign, including a government or an agency or instrumentality thereof.
35.	<b>“Portfolio”</b>	means the total holdings of all investments, Securities and Funds belonging to the Client.
36.	<b>“Portfolio Manager”</b>	means <b>Klay Securities Private Limited</b> , a company incorporated under the Companies Act, 2013 the, registered with SEBI as a portfolio manager bearing registration number INP-00000-6280 and having its registered office at 1402, ONE BKC, B-Wing, G - Block, Bandra Kurla Complex, Mumbai – 400 051.
37.	<b>“Principal Officer”</b>	means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager and is responsible for: (i) the decisions made by the Portfolio Manager for the management or administration of Portfolio of Securities or the Funds of the Client, as the case may be; and (ii) all other operations of the Portfolio Manager.
38.	<b>“Regulations” or “SEBI Regulations”</b>	means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, as amended/modified and reinstated from time to time and including the circulars/ notifications issued pursuant thereto.
39.	<b>“Related Party”</b>	means – (i) a director, partner or his relative; (ii) a key managerial personnel or his relative; (iii) a firm, in which a director, partner, manager or his relative is a partner; (iv) a private company in which a director, partner or manager or his relative is a member or director; (v) a public company in which a director, partner or manager is a director or holds along (vi) with his relatives, more than two per cent. of its paid-up share capital; (vii) any body corporate whose board of directors, managing director or manager is accustomed to act in accordance



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		<p>with the advice, directions or instructions of a director, partner or manager;</p> <p>(viii) any person on whose advice, directions or instructions a director, partner or manager is accustomed to act: Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;</p> <p>(ix) any body corporate which is – (A) a holding, subsidiary or an associate company of the Portfolio Manager; or (B) a subsidiary of a holding company to which the Portfolio Manager is also a subsidiary; (C) an investing company or the venturer of the Portfolio Manager— The investing company or the venturer of the Portfolio Manager means a body corporate whose investment in the Portfolio Manager would result in the Portfolio Manager becoming an associate of the body corporate;</p> <p>(x) a related party as defined under the applicable accounting standards;</p> <p>(xi) such other person as may be specified by the Board: Provided that,</p> <p>(a) any person or entity forming a part of the promoter or promoter group of the listed entity; or</p> <p>(b) any person or any entity, holding equity shares:</p> <p>(i) of twenty per cent or more; or</p> <p>(ii) of ten per cent or more, with effect from April 1, 2023; in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding Financial Year; shall be deemed to be a related party;</p>
40.	<b>“Securities”</b>	means security as defined in Section 2(h) of the Securities Contract (Regulation) Act, 1956, provided that securities shall not include any securities which the Portfolio Manager is prohibited from investing in or advising on under the Regulations or any other law for the time being in force.
41.	<b>“SEBI”</b>	means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act 1992.



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**3. Description**

- (i) History, Present Business and Background of the portfolio manager.

Klay Securities Private Limited (“**Company**”) has been incorporated as a company on November 24, 2016, vide certificate of incorporation issued by the Registrar of Companies, Mumbai, Maharashtra.

The Company is a part of the Klay Group, which is an international financial services and wealth management group set up in 2013 having presence in multiple jurisdictions including Dubai, Singapore, and India. The Company has applied for registration with SEBI as a Stockbroker.

The Company is also an Investment Manager to category III Alternate Investment Fund registered with SEBI (Registration No. IN/AIF3/19-20/0753), a Stock Broker registered with SEBI (Registration No. INZ000177934) a Depository Participant registered with SEBI (Registration No. INDP 3882018), and a Mutual Fund Distributor registered with the Association of Mutual Funds in India (Registration No. ARN - 117710). Klay Securities Private Limited has a team with extensive experience, in-depth domain understanding and strong orientation.

- (ii) Promoters of the portfolio manager, directors and their background.

SN	NAME	AGE	QUALIFICATION	EXPERIENCE
1.	Amit Asnani	41 years	Master of Administration Business	20 years in banking and finance.
2.	Kalpesh Khakhria	45 years	Master of Administration Business	21 years in banking and finance
3.	Klay Holdings (DIFC) Limited	A company registered in the Dubai International Financial Centre, having registered office address as Gate Village, Building 6, Level 3, Office 306, Dubai International Financial Centre, Dubai, PO Box 9637, United Arab Emirates.		



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**DIRECTORS**

<b>NAME</b>	<b>EXPERIENCE</b>
<b>Ian Luis Xavier Dsouza</b>	a. Klay Securities Private Limited (April 2017 till date) b. Deutsche Bank Vice President, Institutional Equity Sales (April 2008 – January 2017)
<b>Kalpesh Khakhria</b>	a. Klay Capital Limited – Dubai, UAE, Managing Director (March 2013 till date) b. Reliance Capital Asset Management (UK) Plc, Dubai, UAE- Vice President (November 2010 to November 2012) c. HSBC Bank Middle East, Dubai, UAE- Senior NRI Financial Planning Manager at (January 2007 to November 2010) d. Citibank India, Pune, India- Officer (July 2004 to November 2006)
<b>Niren Mulchand Vora</b>	a. India Infoline Limited. IIFL Group Associate Manager (November 2007 to June 2011). b. Reliance Securities, Chief Manager – Compliance Department (July 2011 to Jan 2020) c. Klay Securities Private Limited, Compliance officer- (Jan 2020 till date).
<b>Nikita Jain</b>	a. Klay Securities Private Limited (September 2025 till date) b. JPMorgan Chase Bank - Mumbai (June 2008 to July 2025)



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**KEY MANAGERIAL PERSONNEL**

NAME	DESIGNATION	AGE	QUALIFICATION	EXPERIENCE
Ian Luis Dsouza Xavier	Principal Officer	42 years	Postgraduate Diploma in Business Management	16 years in securities market
Kalpesh Khakhria	Managing Director	44 years	Master of Business Administration	21 years in banking and finance
Akshat Kumar	Fund Manager	40 Years	Postgraduate Diploma in Business Management, CFA, FRM	13 years financial Market, economic sector and company analysis
Ravi Malani	Fund Manager	56 years	Master's degree in finance	30 years in Indian Equities and Wealth Management
Niren Mulchand Vora	Compliance Officer	43 Years	Chartered Accountant and LLB (Hons)	17 years of experience in legal and compliance
Nikita Jain	Deputy CEO & Director	41 Years	Post Graduate Diploma in Management, IIM Ahmedabad	17 years of experience at J.P. Morgan in FX, Fixed Income Sales, M&A, and Capital Markets.

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

The details of group companies of the Portfolio Manager on turnover basis for the period ended 31.03.2025.

SN	Name of the Entities	Status
1.	Klay Holdings (DIFC) Limited	Holding Company
2.	Klay Finvest Private Limited	Fellow Subsidiary
3.	Klay Investment Private Limited	Fellow Subsidiary



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(iv) Details of the services being offered: Discretionary/ Non-discretionary / Advisory.

Klay Securities Private Limited offers discretionary, non-discretionary and advisory services. The broad details of the services are given below:

**i. Discretionary Portfolio Management Services:**

In the case of discretionary portfolio management services, the Portfolio Manager shall independently manage the Funds and Securities of the Client in accordance with the provisions of the Portfolio Management Services Agreement. The Portfolio Manager shall have the sole and absolute discretion to invest on behalf of the Client in any type of Security as per the executed agreement and make such changes in the investments and invest some or all of the Funds in such manner and in such markets as it deems fit. The Portfolio Manager's decision in deployment of the Clients' account is absolute and final and cannot be called to question or review at any time during the currency of the agreement or at any time thereafter except on the grounds of malafide, fraud, conflict of interest or gross negligence by adjudicated by the highest court of competent jurisdiction. Investment under the portfolio management services will be only as per the applicable SEBI regulations. The un-invested parts of the Client's Funds may at the discretion of the Portfolio Manager be held in cash or deployed in liquid fund schemes, exchange traded liquid or index funds, debt-oriented schemes of mutual funds, gilt schemes, bank deposits, or other short-term avenues for investment. The Client's portfolios under the discretionary services are based on Client's investment objectives and for an agreed fee structure and for a definite described period and should not be construed as any scheme promoted by the company.

**ii. Non-Discretionary Portfolio Management Services:**

Under the Non-Discretionary Portfolio Management Services, the portfolio of the Client shall be managed in consultation with the Client. Under this service, the Assets will be managed as per express prior instructions issued by the Client from time to time. The Client will have complete discretion to decide on the investment. The underlying instruments used could be stocks, bonds, debentures, structured products, and derivatives to meet the investment objectives or mandate defined by the client. The Portfolio Manager may design and develop various series keeping in mind market conditions and may be customized for Client's specific need/ profile. The Portfolio in all cases will be guided strictly by the relevant guidelines, Acts, Rules, Regulations, and notifications prevailing in force from time to time. The instruments may be principal protected, or non-principal protected, which may have fixed or variable payoffs. The investment objective of the Portfolio Manager shall be preservation and growth of capital and at the same time endeavour to reduce the risk of capital loss.



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However, while the aforesaid is the objective, it needs to be reiterated that there can be no assurance and/or guarantee of such growth or even as regards preservation of capital or of there being no capital loss. The amount invested by the Clients under this strategy shall be subject to and in accordance with the agreement between the Client and the Portfolio Manager.

**iii. Advisory Services:**

The advisory services of the Portfolio Manager in terms of the Regulations include the responsibility of advising on the portfolio strategy and investment and divestment of individual Securities on the Clients' Portfolio, for an agreed fee and for a period as agreed, entirely at the Client's risk; to all eligible category of Investors who can invest in Indian market including Non- Resident Indians, Foreign Institutional Investors, etc.

The Portfolio Manager shall be solely acting as an advisor to the Portfolio of the Client, providing non-binding advice, and shall not be responsible for the investment/divestment of Securities and/ or an administrative activity on the Client's Portfolio in any manner whatsoever. The Portfolio Manager shall, provide advisory services in accordance with such guidelines and/ or directives issued by the regulatory authorities and /or the Client, from time to time, in this regard. The Portfolio Manager shall not in any event and at any point of time be responsible in any manner whatsoever for any investment decision taken by the Client on the basis of the investment advice provided by the Portfolio Manager.

The Portfolio Manager may act upon any in-house research, commercially available databases and news services, external meetings and visits, third-party and broker research reports, publicly available information etc. Neither the Portfolio Manager nor any of its affiliates (nor any of their respective control persons, directors, officers, employees, or agents) shall be liable to the Client or to any other person claiming through the Client for any claim, loss, damage, liability, cost, or expense suffered by the Client or any other person arising out of or related to the advisory services provided therein.

This Disclosure Document is without prejudice to any other terms agreed to between the Company and its Clients in relation to any other specific services other than the broking services. If any provision in this document conflicts with a provision in such specific service terms, the provisions of the agreement executed for such specific services shall prevail insofar as it does not conflict with any duty or obligation of the Company under any Applicable Law.



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The Company does not promote the services offered by Klay Securities Private Limited (“KSPL”) to any of its Clients. In case any Client chooses to avail of the services of KSPL for executing any stock broking transaction, the Client shall do the same at his own volition and free will. In such a case, such transactions will be at an arms’ length and independent of the portfolio management services or broking services provided by the Company.

The advisory services of the Portfolio Manager are based on rigorous fundamental research carried out for all the products that it advises on. While due care is taken to ensure that all material facts are correctly gathered and all assessments there on are made with the truest of intentions and to the best of abilities of the Portfolio Manager, it is important for the Client to note that markets are prone to volatility. It is important to note that past performance of a security is not a guarantee of its future performance.



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

SN	PARTICULARS	YES/NO/NIL/NA
i.	All cases of penalties imposed by the Board or the directions issued by the Board under the Act or rules or regulations made thereunder.	NIL
ii.	The nature of the penalty/direction.	NA
iii.	Penalties/fines imposed for any economic offence and/ or for violation of any securities laws.	NIL
iv.	Any pending material litigation/legal proceedings against the portfolio manager/key personnel with separate disclosure regarding pending criminal cases, if any.	NIL
v.	Any deficiency in the systems and operations of the portfolio manager observed by the Board or any regulatory agency.	NIL
vi.	Any enquiry/ adjudication proceedings initiated by the Board against the portfolio manager or its directors, principal officer or employee or any person directly or indirectly connected with the portfolio manager or its directors, principal officer or employee, under the Act or rules or regulations made thereunder.	NIL



**5. Services Offered**

**(i) Investment Objectives and Policies:**

The Portfolio Manager proposes to provide various portfolios/ services based on the mandate of the Client as agreed upon between the Portfolio Manager and the Client in the application form/ agreement signed by the Client.

The investment objectives of the Portfolio of the Clients depending on the Clients' needs could fall under anyone or more of the following or any combination thereof:

- a. to seek to generate capital appreciation / regular returns by investing in equity/ debt/ money market instruments / equity related Securities and /or units of mutual funds;
- b. to seek to generate capital appreciation / regular returns by investing exclusively in units of mutual funds;
- c. to seek to generate regular returns by primarily investing in debt and money market instruments; and
- d. to seek to generate capital appreciation/ regular returns by investing exclusively in gilt Securities issued by the central/state government Securities. The type of Securities where investments may be made by the Portfolio Manager under any of the above-mentioned Services include the following:
  - e. shares, scrips, stocks, bonds, debentures, debentures stock or other marketable Securities of a like nature in or of any incorporated company or other body corporate;
  - f. derivatives as permitted under the regulations;
  - g. units or any other instrument issued by any collective investment scheme;
  - h. security receipt as defined in clause (zg) of section 2 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002;
  - i. government securities;



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- j. units or any other such instrument issued to the investors under any scheme of mutual fund;
- k. alternative investment fund or venture capital fund;
- l. any certificate or instrument (by whatever name called), issued to any investor by any issuer being a special purposes distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case may be;
- m. such other instruments as may be declared by the central government to be Securities; and
- n. rights or interest in Securities.

The above-mentioned Securities are illustrative in nature. Investments can be made in various equity and equity related Securities including convertible/non-convertible and/or cumulative/non-cumulative preference shares, convertible and/or cumulative/non-cumulative debentures, bonds and warrants carrying the right to obtain equity shares, units of mutual funds, units of alternative investment funds, ETFs, and other eligible modes of investment as may be permitted by the Regulations from time to time.

The Portfolio Manager may from time to time invest the idle cash balance in units of liquid schemes of mutual funds/ liquid ETF. Investments can be made in listed, unlisted, convertible, non-convertible, secured, unsecured, rated, or unrated or of any maturity, and acquired through secondary market purchases, Reserve Bank of India (“RBI”) auctions, open market sales conducted by RBI etc., Initial Public Offers (“IPOs”), other public offers, bilateral offers, placements, rights, offers, negotiated deals, etc.

The debt category will include all types of debt securities including but not limited to securitised debt, pass through certificates, debentures (fixed, floating, variable coupon, and equity index /stocks/stocks basket linked), bonds, government securities issued or guaranteed by central or state government, non-convertible part of partially convertible securities, corporate debt of both public and private sector undertakings, securities issued by banks (both public and private sector) and development financial institutions, bank fixed deposits, commercial papers, certificate of deposit, trade bills, treasury bills and other money market instruments, units of mutual funds, units of SEBI



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registered alternative investment funds and venture capital funds, floating rate debt securities and fixed income derivatives like interest rate swaps, forward rate agreements etc. as may be permitted by the Act, Rules and/or Regulations, guidelines and notifications in force from time to time.

Asset classes for investment will always be subject to the scope of investments as may be agreed upon between the Portfolio Manager and the Client by way of any agreement, explicit or implied including this Disclosure Document, addenda thereof, other documents and communications in writing and emails duly authenticated and exchanged between the Client and the Portfolio Manager.

**(ii) The Company proposes to offer discretionary, non-discretionary and advisory services to its clients, as detailed below:**

**A. Discretionary Portfolio Management Services**

Under the Discretionary Portfolio Management Services following are the investment strategies:

INCOME PORTFOLIO	
<b>Introduction</b>	Income Portfolio is an investment approach focused on investing only in securities rated investment grade and above (BBB- and above at the time of investment) by any SEBI registered credit rating agency. Such securities may comprise of debt, preference capital, tax free bonds, pass through certificates and money market instruments across maturities, credit quality and yields. The investment approach would strive to prioritize income in its portfolio.
<b>Investment Objective</b>	<p>The investment objective of the Income Portfolio investment approach is to prioritize income through interest, preference dividend, and capital gains by investing both in the primary and secondary markets only in securities rated investment grade and above (BBB- and above at the time of investment) by any SEBI registered credit rating agency.</p> <p>However, there can be no assurance that the investment objective of the investment approach would be achieved.</p>
<b>Type of securities</b>	The portfolio will primarily consist of debt securities of various maturities in the form of non-convertible



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debentures (secured or unsecured), step up/ step down bonds, perpetual bonds, additional tier 1 bonds (AT1 bonds), contingent convertible bonds (CoCo bonds), tier 2 bonds, subordinate bonds, municipal bonds, covered bonds, tax free bonds, zero coupon bonds, RBI bonds, market linked debentures, preference capital (perpetual, optionally convertible or compulsorily redeemable), securitized debt, asset backed securities (ABS), mortgage backed securities (MBS), pay through certificates/ pass through certificates (PTC) comprising of any tranche of any seniority including the equity tranche of any maturity (fixed, floating, variable coupon, and equity index /stocks /stocks basket linked, real estate backed), government securities (issued or guaranteed by central or state government), state development loans (SDL), permitted securities under repo/ reverse repo agreement, T-Bills, money market instruments such as commercial paper (CP), certificate of deposit (CD), commercial bills, usance bills, and liquid, money market, low duration schemes or any other scheme of debt mutual funds across maturities and yields, exchange traded funds (fixed income, , real estate, specialty), units issued by SEBI registered alternative investment funds (AIF), units issued by SEBI registered REIT/ InvIT, security receipts issued by asset reconstruction companies, floating rate debt securities and fixed income derivatives like interest rate swaps, forward rate agreements and the like as may be permitted by the SEBI Portfolio Manager Regulations 2020 and other regulations/amendments from time to time. These securities may be acquired through primary market issuances such as subscription to initial public offers, follow on public offers, rights issues and private placements of securities, secondary market purchases, auctions held by the Reserve Bank of India, open market sales of securities conducted by Reserve Bank of India and the like.

The Portfolio may also invest in derivative instruments (futures and options) – for the limited purpose of hedging and rebalancing of the portfolio. Derivative instruments shall, however, not be used in the case of Non-Resident Indian (NRI) investors.

The portfolio manager may also buy securities which have equity like nomenclature while the features in



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	<p>terms of returns and convertibility may be like debt. These instruments would include but not be limited to securities like convertible preference shares, non-convertible compulsorily redeemable preference shares, perpetual preference shares, convertible debentures, and some optionally convertible debentures. The portfolio manager may also decide to hold cash in the client’s portfolio.</p>
<b>Basis of Selection of securities</b>	<p>The investment philosophy of Income Portfolio investment approach is to invest in instruments issued by growing companies which are preferably backed by institutional investors and have low key man risk along with the issuer’s capability to repay the debt on the basis of cash flow generation projected over the term of the underlying instrument. In cases of non-banking finance companies (NBFC) and other financial institutions, the asset liability management, capital adequacy ratio, asset quality and other relevant operational and financial metrics would also be ascertained along with operational cash flows for debt repayment.</p> <p>The Income Portfolio will be actively managed. The base case strategy is to buy and hold the moderate yield debt instruments. However, sale before maturity will also be explored subject to opportunities and market conditions. The Income Portfolio investment approach may undertake to an extent as deemed fit by the portfolio manager, opportunistic buying and selling of debt securities or any other instrument in the portfolio to improve the returns earned by investors. However, in this endeavour, the portfolio manager may on some occasions not receive suitable exit for the securities thus bought/ held in the portfolio. In such cases, the portfolio manager may either decide to hold such a security to maturity or to exit it at a loss when compared with the purchase price. For investors entering the strategy partially or wholly through their current holdings of debt instruments, the portfolio manager will seek to diversify these holdings to reduce concentration of credit risk. As a possible implication, the yield in internal rate of return [IIR] and the corresponding time weighted rate of return (TWRR) terms and income paid out through regular coupons of the portfolio thus achieved may be different (and lower) from that of their current holdings.</p>



The portfolio manager will endeavour to follow stringent due diligence process while selecting the securities in which to invest in. The diligence process will typically consist of management analysis, financial analysis, product analysis, industry analysis, buyer/supplier analysis, cash flow analysis and company/product life cycle analysis.

The portfolio manager may use services of reputed external/third party agencies for valuation, financial and legal diligence and rely upon their reports and analysis to help in arriving at the investment decision.


The securities invested into by the Income Portfolio investment approach will have credit quality of a wide range and hence a varying amount of credit risk. The rating of the securities may be BBB- or above as rated by any SEBI registered credit rating agency.

The securities which the portfolio manager may invest in for the client in the investment approach for Income Portfolio may or may not have any form of collateral backing them. Securities backed by collateral may have 'Collateral backing' in the form of hypothecation of receivables, charge on all or some current assets, charge on non-current assets, fixed charge on assets which can be first, pari-passu or second, floating charge on current assets which can be first, pari-passu or second, mortgage of real estate assets, pledge of shares of the issuing company, pledge of shares of other companies related to the issuing company, pledge of other listed or unlisted shares, escrow of cashflows, hypothecation of brand and patents, mortgage of fixed assets of the company etc. However, depending on the specific collateral used and as per the interpretation of the Companies Act, 2013 the debentures may be deemed to be secured or unsecured in nature.

Investments in preference capital issues may not be backed by any collateral and would be subject to the Company Law regulations or any other statutes that may govern their issuance from time to time. Investments in some of the tranches of a pass-through certificate or pay through certificate may not be backed by any collateral.



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	<p>Diversification: The portfolio manager shall endeavor to diversify the client portfolio across multiple issuers over a period of 90 days from the date of activation. The diversification may include exposure to multiple issuers and various types of instruments with differing tenors and seniority.</p>								
<p><b>Allocation of portfolio across types of securities</b></p>	<p>The Income Portfolio investment approach will be invested only in securities rated investment grade and above (BBB- &amp; above at the time of investment) by any SEBI registered credit rating agency. Such securities which may predominantly comprise of debt securities and pass-through certificates may also feature preference capital, commercial paper, tax free bonds and other kinds of instruments described under the section “Types of Securities”. The securities may also be of varied maturities and credit quality. The Income portfolio will be actively managed. The portfolio manager may also decide to hold cash/liquid funds/ money market funds/ low duration funds or any other debt mutual fund or money market instruments. Portfolio manager retains the flexibility to allocate the eligible securities in the investment approach across the portfolios on a dynamic basis. There are no pre-defined limits or proportion of investments towards any particular type of security.</p> <table border="1" data-bbox="663 1285 1374 1469"> <thead> <tr> <th>Proportion of Portfolio as % of Net Assets</th> <th>Minimum Allocation</th> <th>Maximum Allocation</th> <th>Risk Profile</th> </tr> </thead> <tbody> <tr> <td>Fixed Income<sup>1</sup></td> <td>0%</td> <td>100%</td> <td>Low to Medium</td> </tr> </tbody> </table> <p><sup>1</sup> Fixed Income - includes Cash &amp; Equivalents, Bonds, Notes, Debentures, Units of Funds including mutual funds with fixed income underlying.</p>	Proportion of Portfolio as % of Net Assets	Minimum Allocation	Maximum Allocation	Risk Profile	Fixed Income <sup>1</sup>	0%	100%	Low to Medium
Proportion of Portfolio as % of Net Assets	Minimum Allocation	Maximum Allocation	Risk Profile						
Fixed Income <sup>1</sup>	0%	100%	Low to Medium						
<p><b>Investment horizon and risk return profile</b></p>	<p>Income Portfolio is recommended for investors seeking to hold a debt portfolio with a relatively low to moderate risk-return characteristics over a long-term horizon. Investment in Income Portfolio is recommended for a period of more than 3 years. Below is a pictorial representation of the Income Portfolio strategy risk.</p> 								



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<b>Benchmark and basis for choice of benchmark</b>	<p>Crisil Composite Bond Fund Index is used for benchmarking Income Portfolio (Discretionary Fixed Income PMS Strategy). The number of bonds included in sub-components are relatively higher compared to other permitted benchmarks. The average volumes of the ISINs included in the benchmark are relatively high.</p> <p>The benchmark considers allocations within relatively appropriate credit rating bands, which can reflect the broader approach of our strategy.</p>
<b>Risks associated with the investment approach</b>	<p>The investment objective of the Income Portfolio investment approach is to prioritize income through coupon/interest, preference dividend and capital gains received by investing both in the primary and secondary markets only in securities rated investment grade and above (BBB- and above at the time of investment) by any SEBI registered credit rating agency.</p> <p>However, there is no assurance that the objective of the investment approach will be realized. Investments in securities are subject to market risks. The investments in the Income Portfolio investment approach could carry their own set of risks.</p> <p>The RISK FACTORS are detailed out in the clauses below.</p>
<b>Other Salient features</b>	<p>With respect to the securities being bought by Klay Securities Private Limited as discretionary portfolio manager for its clients in the Income Portfolio investment approach, clients may kindly note the following:</p> <ol style="list-style-type: none"><li>1. The Portfolio Manager may, when offering discretionary portfolio management services, at its discretion, purchase securities from client(s) of one discretionary portfolio management investment approach for client(s) of another discretionary portfolio management investment approach or from a third party. Additionally,</li></ol>



The securities which the portfolio manager may invest in for the client may or may not have some form of collateral backing them. Collateral backing the investments may include any one or some among hypothecation of receivables, charge on all or some current assets, charge on non-current assets, fixed charge on assets which can be first, pari-passu or second, floating charge on current assets which can be first, pari-passu or second, mortgage of real estate assets, pledge of shares of the issuing company, pledge of shares of other companies related to the issuing company, pledge of other listed or unlisted shares, escrow of cashflows, hypothecation of brand and patents, mortgage of fixed assets of the company etc. However, depending on the specific collateral used and as per the interpretation of the Companies Act, 2013 the securities may be deemed to be secured or unsecured in nature.

- Investments in preference capital issues may not be backed by any collateral and would be subject to the company law regulations or any other statutes that may govern their issuance from time to time.
- Investing in an equity/ subordinate tranche of a pass-through certificate or a pay through certificate may not be backed by any collateral.
- Investment in unsecured, subordinate, or perpetual bonds, AT1 bonds, tier 2 bonds is not backed by collateral.
- The securities invested into by the Income Portfolio investment approach will have credit quality of a wide range and hence a varying amount of credit risk. Such securities may be rated or unrated. The issuing company may be rated or unrated and if rated, the latest available credit rating would be considered. The rating of the securities or the issuing company may be investment grade or above (BBB- or above) at the time of investment.
- The portfolio manager will endeavour to follow stringent due diligence process while selecting the securities in which to invest in. The diligence process typically consists of management analysis, financial analysis,



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	<p>product analysis, industry analysis, buyer/supplier analysis, cash flow analysis and company/product life cycle analysis. The portfolio manager may use the services of reputed external/third party agencies for valuation, financial and legal diligence to help in arriving at the investment decision.</p> <ol style="list-style-type: none"><li>2. The issuer of securities may seek assistance of any NBFC including Klay Finvest Private Limited (NBFC) or an investment banker to structure the debenture issuance for the purpose of raising capital through the private placement route. Such an NBFC / any Klay Group entity may actively associate with the issuer for structuring of the security in relation to the securities, preparation of the term sheets and related documents for sharing product details with prospective clients and for appointment of key agents such as trustee, escrow agent, legal counsel, and the like.</li><li>3. Such NBFC/ investment banker may also be the “Debenture Holder Representative” and “Calculating Agent” thereby having the power to approve amongst other things - dilution of promoter stake in the issuer company, disbursement of amounts from escrow account to the issuer, any change in the security cover for the debentures and without whose consent the above cannot occur. As a calculating agent, Klay Securities Private Limited calculates the amount of interest and final redemption amount due to the debenture holders.</li><li>4. For this, Klay Finvest Private Limited as an NBFC / any Klay Group entity may receive a payment from the issuer which could be structured as an advisory fee, discount on such debentures/ securities to Klay Finvest Private Limited [NBFC] or the Klay group entity at the time of first purchase or a combination of the two.</li><li>5. Klay Securities Private Limited - Portfolio Manager may purchase debentures/ securities for clients of the Income Portfolio investment approach through the below routes as well:</li></ol>
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	<ol style="list-style-type: none"><li>a. Subscription to the primary issuance of debentures/ securities by Klay Securities Private Limited - Portfolio Manager.</li><li>b. Purchase of debentures/ securities by Klay Securities Private Limited - Portfolio Manager via offer for secondary sale of debentures/ securities by third party debenture/ security holder(s).</li></ol> <p>6. The engagement of any group entity or related party by the Portfolio Manager will always be at arm's length.</p>
<p><b>Performance of the Investment Approach</b></p>	<p>Performance of the Income Portfolio is shown vis a vis the benchmark in the risk disclosure document filed by the portfolio manager with SEBI every six months or upon occurring of any material change. The past performance track record of Income Portfolio especially with respect to the pay-outs earned by the clients in the portfolio over different periods of time may be shared with prospective clients with an adequate disclosure that past performance may not be indicative of future performance. The portfolio manager shall use measurement tools like modified duration to measure price sensitivity of the investments and Macaulay's duration to determine the time required to recover the present value of all cash flows from the portfolio. The increase in portfolio value between consecutive time periods indicates a combination of some or all of the factors such as:</p> <ol style="list-style-type: none"><li>a. Income (interest/dividend) accrual,</li><li>b. Amortization of discount,</li><li>c. Accrual of redemption premium,</li><li>d. Capital appreciation due to an unrealized mark to market valuation,</li><li>e. Realized capital gain.</li></ol> <p>The decline in portfolio value may occur due to a combination of some or all of the factors such as:</p> <ol style="list-style-type: none"><li>a. Pay-out to the investor from the portfolio manager which may be accrued income, realized income, unrealized capital gains, realized capital gains, or the capital invested by the investor.</li><li>b. Pay-out to the investor from the issuer which may be accrued income (interest/dividend),</li></ol>



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	<ul style="list-style-type: none"><li>c. Combination of pay out of income and the capital invested by the client due to dirty pricing,</li><li>d. Amortization of premium,</li><li>e. Reduction in the investment value of the portfolio due to unrealized mark to market valuation or realized capital loss as well, Deduction of management and/or performance fees and other expenses.</li></ul>
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**B. Non-Discretionary Portfolio Management Services:**

Under the Non-Discretionary Portfolio Management Services, the portfolio of the Client shall be managed as per instructions issued by the Client from time to time. The Client will have complete discretion to decide on the investments. The underlying instruments used may include (but may not be limited to) stocks, bonds, debentures, structured products, and derivatives to meet the investment objectives as defined by the client. While Portfolio Manager may design and suggest portfolios/investment strategies which are customized for each Client's specific needs / profile, the ultimate decision shall be the Client's. The Portfolio Manager may also recommend tactical ideas considering the market conditions, the ultimate decision shall be the Client's. The Portfolio in all cases will be guided strictly by the relevant guidelines, Acts, Rules, Regulations, and notifications prevailing in force from time to time. The instruments may be principal protected, or non-principal protected, which may have fixed or variable payoffs. The investment objective shall be as defined by the Client. However, there can be no assurance and/or guarantee that the investment objective will be met. There is no assurance/guarantee as regards preservation of capital or of there being no capital loss.

**C. Advisory Services:**

For brief particulars of Advisory Services offered kindly refer point number 3 (iv) (iii) of this disclosure document as stated on page no. **15**.

This process may continue till the investor exits the strategy. Clients can also view the performance details in the disclosure document uploaded on <https://www.klaygroup.com/>



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**(iii) The policies for investments in associates/group companies of the portfolio manager and the maximum percentage of such investments therein subject to the applicable laws/regulations/ guidelines.**

For investments in securities of Associates/ Related Parties, the Portfolio Manager shall comply with the following:

The Portfolio Manager shall invest up to a maximum of 30% of the Client’s AUM in the securities of its associates/related parties. The Portfolio Manager shall ensure compliance with the following limits:

<b>Security</b>	<b>Limit for investment in single associate/related party (as percentage of Client’s AUM)</b>	<b>Limit for investment across multiple associates/related parties (as percentage of Client’s AUM)</b>
Equity	15%	25%
Debt and hybrid securities	15%	25%
Equity + Debt + Hybrid securities*	30%	

\*Hybrid securities include units of Real Estate Investment Trusts (REITs), units of Infrastructure Investment Trusts (InvITs), convertible debt securities and other securities of like nature.

The aforementioned limits shall be applicable only to direct investments by Portfolio Manager in equity and debt/hybrid securities of its associates/related parties and not to any investments in the Mutual Funds.

The Portfolio Manager shall not make any investment in unrated and below investment grade securities.



**6. Risk factors**

**A. General Risks Factors**

- (1) Investment in Securities, whether on the basis of fundamental or technical analysis or otherwise, is subject to market risks which include price fluctuations, impact cost, basis risk etc.
- (2) The Portfolio Manager does not assure that the objectives of any of the Investment Approach will be achieved and investors are not being offered any guaranteed returns. The investments may not be suitable to all the investors.
- (3) Past performance of the Portfolio Manager does not indicate the future performance of the same or any other Investment Approach in future or any other future Investment Approach of the Portfolio Manager.
- (4) The names of the Investment Approach do not in any manner indicate their prospects or returns.
- (5) Appreciation in any of the Investment Approach can be restricted in the event of a high asset allocation to cash, when stock appreciates. The performance of any Investment Approach may also be affected due to any other asset allocation factors.
- (6) When investments are restricted to a particular or few sector(s) under any Investment Approach; there arises a risk called non-diversification or concentration risk. If the sector(s), for any reason, fails to perform, the Portfolio value will be adversely affected.
- (7) Each Portfolio will be exposed to various risks depending on the investment objective, Investment Approach and the asset allocation. The investment objective, Investment Approach and the asset allocation may differ from Client to Client. However, generally, highly concentrated Portfolios with lesser number of stocks will be more volatile than a Portfolio with a larger number of stocks.
- (8) The values of the Portfolio may be affected by changes in the general market conditions and factors and forces affecting the capital markets, in particular, level of interest rates, various market related factors, trading volumes, settlement periods, transfer procedures, currency exchange rates, foreign investments, changes in government policies, taxation, political, economic and other developments, closure of stock exchanges, etc.



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- (9) The Portfolio Manager shall act in fiduciary capacity in relation to the Client's Funds and shall endeavour to mitigate any potential conflict of interest that could arise while dealing in a manner which is not detrimental to the Client.

**B. Risk associated with equity and equity related instruments**

- (10) Equity and equity related instruments by nature are volatile and prone to price fluctuations on a daily basis due to macro and micro economic factors. The value of equity and equity related instruments may fluctuate due to factors affecting the securities markets such as volume and volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the government, taxation laws, political, economic or other developments, which may have an adverse impact on individual Securities, a specific sector or all sectors. Consequently, the value of the Client's Portfolio may be adversely affected.
- (11) Equity and equity related instruments listed on the stock exchange carry lower liquidity risk, however the Portfolio Manager's ability to sell these investments is limited by the overall trading volume on the stock exchanges. In certain cases, settlement periods may be extended significantly by unforeseen circumstances. The inability of the Portfolio Manager to make intended Securities purchases due to settlement problems could cause the Client to miss certain investment opportunities. Similarly, the inability to sell Securities held in the Portfolio may result, at times, in potential losses to the Portfolio, should there be a subsequent decline in the value of Securities held in the Client's Portfolio.
- (12) Risk may also arise due to an inherent nature/risk in the stock markets such as, volatility, market scams, circular trading, price rigging, liquidity changes, de-listing of Securities or market closure, relatively small number of scrip's accounting for a large proportion of trading volume among others.

**C. Risk associated with debt and money market securities**

- (13) Interest Rate Risk  
Fixed income and money market Securities run interest-rate risk. Generally, when interest rates rise, prices of existing fixed income Securities fall and when interest rate falls, the prices increase. In case of floating rate Securities, an additional risk could arise because of the changes in the spreads of floating rate Securities. With the increase in the spread of floating rate Securities, the price can fall and with decrease in spread of floating rate Securities, the prices can rise.
- (14) Liquidity or Marketability Risk  
The ability of the Portfolio Manager to execute sale/purchase order is dependent on the liquidity or marketability. The primary measure of liquidity risk is the spread



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between the bid price and the offer price quoted by a dealer. The Securities that are listed on the stock exchange carry lower liquidity risk, but the ability to sell these Securities is limited by the overall trading volumes. Further, different segments of Indian financial markets have different settlement cycles and may be extended significantly by unforeseen circumstances.

(15) Credit Risk

Credit risk or default risk refers to the risk that an issuer of a fixed income security may default (i.e., will be unable to make timely principal and interest payments on the security). Because of this risk corporate debentures are sold at a higher yield above those offered on government Securities which are sovereign obligations and free of credit risk. Normally, the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk.

(16) Reinvestment Risk

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

**D. Risk associated with derivatives instruments**

(17) The use of derivative requires an understanding not only of the underlying instrument but of the derivative itself. Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of the strategies to be pursued by the Portfolio Manager involve uncertainty and decision of Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager will be able to identify or execute such strategies.

(18) Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price of interest rate movements correctly. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Other risks include settlement risk, risk of mispricing or improper valuation and the inability of



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the derivative to correlate perfectly with underlying assets, rates and indices, illiquidity risk whereby the Portfolio Manager may not be able to sell or purchase derivative quickly enough at a fair price.

**E. Risk associated with investments in mutual fund schemes**

- (19) Mutual funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the schemes will be achieved. The various factors which impact the value of the scheme's investments include, but are not limited to, fluctuations in markets, interest rates, prevailing political and economic environment, changes in government policy, tax laws in various countries, liquidity of the underlying instruments, settlement periods, trading volumes, etc.
- (20) As with any securities investment, the NAV of the units issued under the schemes can go up or down, depending on the factors and forces affecting the capital markets.
- (21) Past performance of the sponsors, asset management company (AMC)/fund does not indicate the future performance of the schemes of the fund.
- (22) The Portfolio Manager shall not be responsible for liquidity of the scheme's investments which at times, be restricted by trading volumes and settlement periods. The time taken by the scheme for redemption of units may be significant in the event of an inordinately large number of redemption requests or of a restructuring of the schemes.
- (23) The Portfolio Manager shall not responsible, if the AMC/ fund does not comply with the provisions of SEBI (Mutual Funds) Regulations, 1996 or any other circular or acts as amended from time to time. The Portfolio Manager shall also not be liable for any changes in the offer document(s)/scheme information document(s) of the scheme(s), which may vary substantially depending on the market risks, general economic and political conditions in India and other countries globally, the monetary and interest policies, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally.
- (24) The Portfolio Manager shall not be liable for any default, negligence, lapse error or fraud on the part of the AMC/the fund.
- (25) While it would be the endeavor of the Portfolio Manager to invest in the schemes in a manner, which will seek to maximize returns, the performance of the underlying schemes may vary which may lead to the returns of this portfolio being adversely impacted.



- (26) The scheme specific risk factors of each of the underlying schemes become applicable where the Portfolio Manager invests in any underlying scheme. Investors who intend to invest in this portfolio are required to and are deemed to have read and understood the risk factors of the underlying schemes.

**F. Risk arising out of non-diversification**

- (27) The investment according to investment objective of a Portfolio may result in concentration of investments in a specific security / sector/ issuer, which may expose the Portfolio to risk arising out of non-diversification. Further, the portfolio with investment objective to invest in a specific sector / industry would be exposed to risk associated with such sector / industry and its performance will be dependent on performance of such sector / industry. Similarly, the portfolios with investment objective to have larger exposure to certain market capitalization buckets, would be exposed to risk associated with underperformance of those relevant market capitalization buckets. Moreover, from the style orientation perspective, concentrated exposure to value or growth stocks based on the requirement of the mandate/strategy may also result in risk associated with this factor.

**G. Risk arising out of investment in Associate and Related Party transactions**

- (28) All transactions of purchase and sale of securities by portfolio manager and its employees who are directly involved in investment operations shall be disclosed if found having conflict of interest with the transactions in any of the client's portfolio.
- (29) The Portfolio Manager may utilize the services of its group companies or associates for managing the portfolios of the client. In such scenarios, the Portfolio Manager shall endeavor to mitigate any potential conflict of interest that could arise while dealing with such group companies/associates by ensuring that such dealings are at arm's length basis.
- (30) The Portfolios may invest in its Associates/ Related Parties relating to portfolio management services and thus conflict of interest may arise while investing in securities of the Associates/Related Parties of the Portfolio Manager. Portfolio Manager shall ensure that such transactions shall be purely on arms' length basis and to the extent and limits permitted under the Regulations. Accordingly, all market risk and investment risk as applicable to securities may also be applicable while investing in securities of the Associates/Related Parties of the Portfolio Manager.



#### H. Other/Ancillaries Risk

- (31) The performance of the Portfolio may be affected by changes in government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems in equity and debt markets.
- (32) The performance in the equity portfolios may be adversely affected by the performance of individual companies, changes in the market place, company specific and industry specific and macroeconomic and regulatory factors.
- (33) The performance of the assets of the Client may be adversely affected by the performance of individual Securities, changes in the market place and industry specific and macroeconomic factors.
- (34) The debt investments and other fixed income Securities may be subject to interest rate risk, liquidity risk, credit risk, and reinvestment risk. Liquidity in these investments may be affected by trading volumes, settlement periods and transfer procedures.
- (35) Investments in niche sectors run the risk of volatility, high valuation, obsolescence, and low liquidity.
- (36) The Portfolio Manager may invest in non-publicly offered debt securities and unlisted equities. This may expose the Client's Portfolio to liquidity risks.
- (37) Engaging in Securities lending is subject to risks related to fluctuations in collateral value/settlement/liquidity/ Counter Party.
- (38) Portfolio services using derivatives, futures and options are affected by risk different from those associated with stock and bonds. Such investments are highly leveraged instruments, and their use requires a high degree of skill, diligence, and expertise. Small price movements in the underlying Security may have a large impact on the value of derivatives and futures and options. Some of the risks relate to mispricing on the improper valuation of derivatives and futures and options and the inability to correlate the positions with underlying assets, rates, and indices. Additionally, the derivatives and future and options market are nascent in India.
- (39) The Portfolio Manager is not responsible or liable for any loss resulting from the operations of the portfolio management services. All Portfolios under portfolio management are subject to change at any time at the discretion of the Portfolio Manager.



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- (40) Investments made by the Portfolio Manager are subject to risks arising from the investment objective, investment strategy and asset allocation.
- (41) The arrangement of pooling of Funds from various Clients and investing them in Securities could be construed as an ‘Association of Persons’ (“AOP”) in India under the provisions of the Income Tax Act 1961 (“IT Act”) and taxed accordingly.
- (42) In case of investments in schemes of mutual funds, alternative investment funds and venture capital funds, the Client shall bear the recurring expenses and performance fee, if any, of the portfolio management services in addition to the expenses of the underlying schemes. Hence, the Client may receive lower pre-tax returns compared to what he may receive had he invested directly in the underlying schemes in the same proportions.
- (43) After accepting the corpus for management, the Portfolio Manager may not get an opportunity to deploy the same or there may be delay in deployment. In such situations, the Clients may suffer opportunity loss.
- (44) The Portfolio Manager has no previous experience or track record as a portfolio manager.
- (45) The investment objectives of one or more of the investment profiles could result in concentration of a specific asset/asset class/sector/issuer etc., which could expose the Clients’ Portfolio to risks arising out of non-diversification, including improper and/or undesired concentration of investment risks.

#### I. Other Specific Risk Factors

- (46) **Market risk:** The Portfolio Value (“PV”) of the Portfolio will react to the Securities market movements. The investor could lose money due to fluctuation in the PV of Portfolio in response to factors such as economic and political developments, changes in interest rates and perceived trends in Securities market movements and over longer periods during market downturns.
- (47) **Market trading risks:** There may be an absence of active markets. Although Securities are listed on the exchange(s), there can be no assurance that an active secondary market will develop or be maintained.
- (48) **Lack of market liquidity:** Trading in Securities on the exchange(s) may be halted because of market conditions or for reasons that in the view of the exchange



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authorities or SEBI, trading in a particular Security is not advisable. In addition, trading in Securities is subject to trading halts caused by extra-ordinary market volatility and pursuant to exchange and SEBI 'circuit filter' rules. There can be no assurance that the requirements of the market necessary to maintain the listing of Securities will continue to be met or will remain unchanged.

- (49) **ETF may trade at prices other than PV:** ETF may trade above or below their PV. The PV or ETF may fluctuate with changes in the market value of a scheme's holdings of the underlying stocks. The trading prices of ETF will fluctuate in accordance with changes in their PVs as well as market supply and demand of ETF. However, given that ETF can be created and redeemed only in creation units directly with the mutual fund, it is expected that large discounts or premiums to the PVs of ETFs will not sustain due to availability of arbitrage possibility.
- (50) **Regulatory risk:** Any changes in trading regulations by the exchange(s) or SEBI may affect the ability of market maker to arbitrage resulting into wider premium/discount to PV for ETFs. In the event of a halt of trading in market the Portfolio may not be able to achieve the stated objective. Regulatory risk is the risk that a change in regulation or legislation can adversely affect a security, company, or industry. Companies must abide by the regulations set by the governing bodies that have an oversight on their industry. Regulations can increase cost of operations, introduce legal and administrative disruptions and at times severely restrict a company's growth or even threaten its survival. Financial institutions are often subject to regulations with regard to disclosure, investment strategies and liquidity requirements, etc. Some of the features of the Income Portfolio investment approach like minimum investment corpus, systematic withdrawal by way of periodic payouts, inter se transfer of securities among clients within the same investment approach or another investment approach (subject to the investment mandate being followed), eligibility of any instrument for investment, grandfathering of any existing investments in the event of change in regulations, etc. are subject to regulatory risk. Any adverse regulatory developments may hamper active and effective management of clients' portfolios.
- (51) **Asset class risk:** The returns from the types of Securities in which the Portfolio Manager invest may underperform returns from the various general Securities markets or different asset classes. Different types of Securities tend to go through cycles of outperformance and underperformance in comparison of the general Securities markets.
- (52) **Performance risk:** Frequent rebalancing of Portfolio will result in higher brokerage/ transaction cost. Also, as the allocation to other Securities can vary from 0% to 100%,



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there can be vast difference between the performance of the investments and returns generated by underlying Securities.

- (53) **Model risk:** Investments in the Market Linked Debentures (“MLDs”) are also subject to model risk. The MLDs are created on the basis of complex mathematical models involving multiple derivative exposures which may or may not be hedged and the actual behaviour of the Securities selected for hedging may significantly differ from the returns predicted by the mathematical models.
- (54) **Rating migration risk:** The following table illustrates the impact of change of rating (credit worthiness) on the price of a hypothetical AA+ rated security with a maturity period of 4 years, a coupon of 9% p.a. and a market value of Rs. 100. If the security is upgraded to AAA category which commands a market yield of, say, 8.5% p.a. its market value would increase to Rs 101.64(i.e. by 1.64%). If it is downgraded to AA category, which commands a market yield of, say, 9.5% p.a., its market value would drop to Rs. 98.40 (i.e. 1.6%) The figures shown in the table are only indicative and are intended to demonstrate how the price of a security can be affected by a change in credit rating. Active and effective portfolio management of debt securities may be hampered if some or all of them are faced with rating migration risk (owing to adverse interest rate movements) leading to substantial declines in mark to market values of the individual instruments in the portfolio.

Rating	Coupon	Yield	Market Value (Rs.)	Change
AA+	9%	9%	100	
Upgraded to AAA	9%	8.50%	101.64	1.64%
Downgraded to AA	9%	9.5%	98.40	1.6%

- (55) **Prepayment risk:** Certain fixed income securities give an issuer the right to call back its securities before their maturity date, in periods of declining interest rates. The possibility of such prepayment may force the portfolio manager to reinvest the proceeds of such investments in securities offering lower yields, resulting in lower interest income for the clients. Active and effective portfolio management of the Income Portfolio investment approach may be hampered if some or all of the investments in the portfolio are faced with prepayment risk.
- (56) **Extension risk:** Certain fixed income securities offer a call option to the issuer which gives an issuer the right to call back its securities before their maturity date according to a prefixed schedule which is agreed upon at the time of issuance of the instrument. Investors may often expect the issuers to exercise the call option when it falls due. However, the issuers may decide not to exercise the call option owing to micro/macro considerations leading to an extension in the expected maturity of the instrument. Moreover, owing to certain macro/ micro events, the issuers may



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request for a moratorium or restructuring of the existing cash flows of the instrument which may lead to extension of the scheduled maturity of the investment.

- (57) **Concentration risk:** There are inherent risks arising out of investment objectives, investment strategy, asset allocation and non-diversification of portfolio. However, generally, highly concentrated portfolios with lesser number of investments may be more vulnerable to risk than a portfolio with a larger number of investments. Diversified portfolios (allocated across companies and broad sectors) generally tend to be less volatile than non-diversified portfolios. Further, this risk is dependent on the nature of portfolio allocation and the nature of instruments (liquid / illiquid security, secured/unsecured, listed, high beta, etc.) Active and effective portfolio management of the Income Portfolio investment approach may be hampered if the portfolio turns concentrated across one or a few instruments.
- (58) **Downgrade risk:** While the rating of the securities may be BBB- or above (investment grade or above) at the time of investment, they may subsequently slide below investment grade before the maturity of the securities. In the event of more than one rating for the instrument/ security, the higher of the available ratings would be considered for inclusion in the portfolio. The portfolio manager may be forced to hold a security/ instrument in the Income Portfolio even if its credit rating drops below investment grade if he is unable to find a reasonable exit for it. Active and effective portfolio management of the Income basis investment approach may be hampered if some or all of the holdings in the portfolio are faced with downgrade below investment grade credit ratings.
- (59) **Spread risk:** In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. However, depending upon the market conditions, the spreads may move adversely or favourably leading to fluctuation in the valuation of the security.
- (60) **Settlement risk:** Different segments of 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 clients' portfolio are uninvested, and no return is earned thereon. The inability of the portfolio manager to make intended securities purchases, due to settlement problems, could cause the clients to miss out on certain investment opportunities. Similarly, the inability to sell securities held in the clients' portfolio, due to the absence of a well-developed and liquid secondary market for debt securities, may result at times in potential losses to the clients in the event of a subsequent decline in the value of securities held in the clients' portfolio. Active and effective portfolio management of the Income Portfolio investment



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approach may be hampered if some or all of the investments in the portfolio are faced with the settlement risk.

(61) **Risk of realizing capital losses:** The portfolio manager may realize capital losses in the portfolio if it is deemed prudent in his assessment owing to any or all of the following reasons:

- a. The risk (credit/ liquidity/ prepayment or any other risk) in holding the investment is deemed to be higher than realizing a capital loss.
- b. The opportunity to earn a higher yield by reinvesting the proceeds of sale is more than compensate for the realized capital loss.

However, there is no assurance that the assumptions made by the portfolio manager for realizing capital losses would come true and as a consequence the client may suffer capital losses in the portfolio.

(62) **Risk of failure to honor systematic withdrawal requests:** The portfolio manager may fail to honor the systematic withdrawal request provided by the client due to any or all of the following reasons:

- a. Realized capital losses may lead to the portfolio value falling below the minimum regulatory requirement for allowing redemptions/ systematic withdrawal requests.
- b. Mark to market decline in some or all the investments in the portfolio may lead to the portfolio value falling below the minimum regulatory requirement for allowing redemptions/ systematic withdrawal requests.
- c. Direct coupon payouts from the issuer leading to reduction in portfolio value below the minimum regulatory requirement owing to the effects of dirty pricing.
- d. Direct principal payouts from the issuer leading to reduction in portfolio value below the minimum regulatory requirements.
- e. Recovery of management/ performance fees and other expenses leading to reduction in portfolio value below the minimum regulatory requirement for allowing redemptions/ systematic withdrawal requests.
- f. Inability to manage sufficient liquidity in the portfolio may lead to failure to meet the systematic withdrawal request.

(63) **Volatility risk:** The portfolio manager may not be able to invest all or a substantial proportion of the portfolio according to the mandate defined by the investment approach within a reasonable period of time due to market conditions of high-risk aversion or an equally high-risk tolerance leading to distortions in the risk-return



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tradeoff. Market conditions with high risk aversion or high-risk tolerance may also have a bearing on the valuation of the underlying securities as well as on the ability to exit the securities. Active and effective portfolio management of the Income Portfolio investment approach may be hampered if some or all of the investments in the portfolio are faced with the prospect of such phases of volatility of risk aversion or risk tolerance.

- (64) **Valuation risk:** The portfolio manager may seek periodic valuations for the securities in the Income Portfolio from an external independent valuation agency to arrive at the market value of the portfolio. Such valuations may significantly differ from the most recent or current secondary market trades for the same or similar security. Similarly, valuations arrived at on the basis of accrual method and book values may also differ significantly from those quoted on the secondary market or by the external independent valuation agency. In the event of a secondary market transaction, for some or all of the securities in the portfolio, the realized prices and hence capital gains/ losses may vary significantly with those of the unrealized mark to market security values reported in the portfolio. Active and effective portfolio management of the Income Portfolio investment approach may be hampered if some or all of the investments in the portfolio are faced with the adverse consequences of valuation risk.
- (65) **Illiquidity risk:** The corporate debt market is relatively illiquid vis-a-vis the government Securities market. There could therefore be difficulties in exiting from corporate bonds in times of uncertainties. Further, liquidity may occur only in specific lot sizes. Liquidity in a Security can therefore suffer. Even though the government securities market is more liquid compared to that of other debt instruments, on occasions, there could be difficulties in transacting in the market due to extreme volatility or unusual constriction in market volumes or on occasions when an unusually large transaction has to be put through. Trading in specified debt securities on the exchange may be halted because of market conditions or for reasons that in the view of the exchange authorities or SEBI, trading in the specified debt security is not advisable. There can be no assurance that the requirements of the securities market necessary to maintain the listing of specified debt security will continue to be met or will remain unchanged. In such a situation, the Portfolio Manager at his sole discretion will return the Securities to the Client.
- (66) **Zero return risk:** Returns on investments undertaken in structured Securities would depend on occurrence /non-occurrence of the specified event. Thus, returns may or may not accrue to an investor depending on the occurrence/non-occurrence of the specified event.



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- (67) **Redemption risk:** The payoffs as envisaged in structured Securities are such that the Client may lose a part/entire amount invested. The investment approach at times may receive large number of redemption requests or face poor liquidity conditions to divest its securities when it receives even smaller number of redemption requests, leading to a liquidity deficit and therefore, requiring the portfolio manager to make a distress sale of the securities leading to realignment of the portfolio and consequently resulting in investment in lower yield instruments. It is also possible that the portfolio manager may not be willing to undertake any or adequate sale of securities in the portfolio at below reasonable value leading to lack of liquidity for redeeming clients. In such a scenario, the redeeming clients will be obliged to accept securities as part of redemption proceeds. Active and effective portfolio management of the Income Portfolio investment approach may be hampered if some or all of the investments in the portfolio are faced with the prospect of a distress sale or inability to be divested for lack of an opportunity to be sold at a reasonable price.
- (68) **Risk of real estate investment:** Investment in Securities of companies investing in real estate is subject to risk of fluctuations in real estate prices. Portfolio returns are dependent on real estate market. Investor could lose money if real estate prices go down at the time of maturity.
- (69) **Risk of pharmaceutical and healthcare investment:** Investment in companies engaged in healthcare and pharmaceutical sector will involve the inherent risk of the transitory development that the sector is witnessing in India. Since this sector has attracted government incentivization and extensive policymaking, there might be fluctuations in investment returns from the sector due to competitive pricing induced on account of changes in the relevant policy and the regulations. Along with competition from other major international players such as China, there is also risk associated with the still evolving technology, research and development, and manufacturing standards in light of the stringent international best practices such as, inter alia, the US Food and Drug Administration, which may have an implication on the returns on investment in such sector.
- (70) **Risk of investment in mutual funds:** Investments in schemes of mutual funds are subject to market risks and there is no assurance or guarantee that the objectives of the scheme will be achieved. Further, any investment in mutual funds is also subject to any risk factors outlined in the scheme information document and statement of additional information of the mutual fund and an adverse performance of a mutual fund scheme in which the Portfolio Manager has made investments could adversely impact on the value of anticipated returns.



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(71) **Investments in derivative instruments**: As and when the investments are done in derivative market, there are risk factors and issues concerning the use of derivatives that the investors should understand. Derivative products are specialized instrument that require investment technique and risk analysis different from those associated with stocks. The use of derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the Portfolio and the ability to forecast price. Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the portfolio manager to identify such opportunities. Identification and execution of the strategies to be pursued by the portfolio manager involve uncertainty and the decision of the portfolio manager may not always be profitable. No assurance can be given that the portfolio manager will be able to identify or execute such strategies. The risks associated with the use of derivatives are different from or possibly greater than the risks associated with investing directly in securities and other traditional investments. There are certain risks inherent in derivatives.

There is a possibility that loss may be sustained by the Portfolio as a result of the failure of another party (usually referred as the “**Counter Party**”) to comply with the terms of the derivative contract. Other risks in using derivatives include but are not limited to:

- a. **Credit risk**: Such a risk occurs when a counterparty defaults on a transaction before settlement; and therefore, involves negotiation with another Counter Party, at the then prevailing (possibly unfavourable) market price, in order to maintain the validity of the hedge. For ETFs, the risk may be mitigated, as the exchange provides the guaranteed settlement, but one takes the performance risk on the exchange.
- b. **Market liquidity**: This risk is where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates, and indices.
- c. **Model risk**: This is the risk of mis-pricing or improper valuation of derivatives.
- d. **Basis risk**: This 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. The risk of loss associated with futures contracts is potentially unlimited due to the low margin deposits required and the extremely high degree of leverage involved in futures pricing.



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As a result, a relatively small price movement in a derivative contract may result in an immediate and substantial loss or gain. However, the Portfolio Manager will not use derivative instruments, options, or swap agreements for speculative purposes or to leverage its net assets and will comply with applicable SEBI regulations. There may be a cost attached to buying derivative instrument. Further, there could be an element of settlement risk, which could be different from the risk in settling physical shares. The possible lack of a liquid secondary market for a derivatives contract may result in inability to close the derivatives positions prior to their maturity date. During the life of floating rate security or a swap, the underlying benchmark index may become less active and may not capture the actual movement in the interest rates or at times the benchmark may cease to exist. These types of events may result in loss of value in the portfolio. Where swaps are used to hedge an underlying fixed income security, basis risk could arise when the fixed income yield curve moves differently from that of the swap benchmark curve.

- e. Price risk: Despite the risk mitigation provided by various derivative instruments, there remains an inherent price risk which may result in losses exceeding actual underlying.
- f. Default risk: This is the risk that losses will be incurred due to default by counter party. This is also known as credit risk or counterparty risk.
- g. Limitations on upside: Derivatives when used as hedging tool can also limit the profits from a genuine investment transaction.
- h. Liquidity risk: It pertains to the saleability of a security in the market. All securities/instruments irrespective of whether they are equity, bonds or derivatives may be exposed to liquidity risk (when the sellers outnumber buyers) which may impact returns while exiting opportunities.
- i. Event risk: The risk related to hedging for use of derivatives, (apart from the derivatives risk mentioned above) is that event of risk, which we were anticipating and hedged our position to mitigate it, does not precipitate. In such case, the cost incurred in hedging the position would be a avoidable charge to the portfolio.

(72) **Specific Risk factors and disclosures pertinent to structured notes and securitised debt instruments:**

- a. Presently, secondary market for such securitised papers is not very liquid. There is no assurance that a deep secondary market will develop for such Securities. This could limit the ability of the investments to resell them. Even if



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a secondary market develops and sales were to take place, these secondary transactions may be at a discount to the initial issue price due to changes in the interest rate structure.

- b. Securitized transactions are normally backed by pool of receivables and credit enhancement as stipulated by the rating agency, which differ from issue to issue. The credit enhancement stipulated represents a limited loss cover to the Investors. These certificates represent an undivided beneficial interest in the underlying receivables and there is no obligation of either the issuer or the seller or the originator, or the parent or any affiliate of the seller, issuer, and originator. No financial recourse is available to the certificate holders against the investors' representative(s). Delinquencies and credit losses may cause depletion of the amount available under the credit enhancement and thereby the investor pay-outs may get affected if the amount available in the credit enhancement facility is not enough to cover the shortfall. On persistent default of an obligor to repay his obligation, the seller may repossess and sell the underlying asset. However, many factors may affect, delay, or prevent the repossession of such asset or the length of time required to realize the sale proceeds on such sales. In addition, the price at which such asset may be sold may be lower than the amount due from that obligor.
- c. The structured notes like the index linked securities, in which Funds are proposed to be invested in, are high risk instruments. A small movement in returns generated by the underlying index could have a large impact on their value and may also result in a loss.
- d. The issuer of equity index linked securities or any of its agents, from time to time may have long or short positions or make markets including in NIFTY indices, futures and options (hereinafter referred to as "Reference Assets") (and other similar assets), they may act as an underwriter or distributor of similar instruments, the returns on which or performance of which, may be at variance with or asymmetrical to those on the Securities, and they may engage in other public and private financial transactions (including the purchase of privately placed investments or Securities or other assets). The foregoing activities of 'the issuer of index linked securities' or any of its agents and related markets (such as the foreign exchange market) may affect the value of the Securities. In particular, the value of the Securities could be adversely impacted by a movement in the Reference Assets, or activities in related markets, including by any acts or inactions of 'the issuer of index linked securities' or any of its agents;



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- e. the equity Index linked Securities, even after being listed, may not be marketable or may not have a market at all;
- f. The returns on the structured Securities, primarily are linked to the S&P CNX Nifty Index and/or any other equity benchmark as the Reference Asset, and even otherwise, may be lower than prevalent market interest rates or even be nil or negative depending entirely on the movement in the underlying index and futures values as also that over the life of the Securities (including the amount if any, payable on maturity, redemption, sale or disposition of the Securities) the Security holder may receive no income/return at all or negative income/return on the Security, or less income/return than the Security-holder may have expected, or obtained by investing elsewhere or in similar investments.
- g. The return on investment in Securities would depend on the prevailing market conditions, both domestically as well as internationally. The returns mentioned in the term sheets are indicative and may or may not accrue to an investor accordingly.
- h. In equity index linked Securities, in the event of any discretions to be exercised, in relation to method and manner of any of the computations including due to any disruptions in any of the financial markets or if for any other reason, the calculations cannot be made as per the method and manner originally stipulated or referred to or implied, such alternative methods or approach shall be used as deemed fit by the issuer and may include the use of estimates and approximations. All such computations shall be valid and binding on the investor, and no liability there for will attach to the issuer of equity index linked Securities /asset Management Company.
- i. There is a risk of receiving lower than expected or negligible returns or returns lower than the initial investment amount in respect of such equity index linked Securities over the life and/or part thereof or upon maturity, of the Securities.
- j. At any time during the life of such Securities, the value of the Securities may be substantially less than its redemption value. Further, the price of the Securities may go down in case the credit rating of the Company or issuer goes down.
- k. The Securities and the return and/or maturity proceeds hereon, are not guaranteed, or insured in any manner by the Issuer of equity index linked securities.



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- l. The issuer of equity index linked Securities or any person acting on behalf of the issuer of equity index linked Securities, may have an interest/position as regards the Portfolio Manager and/or may have an existing banking relationship, financial, advisory, or other relationship with them and/or may be in negotiation/discussion with them as to transactions of any kind.
- m. The issuer of equity index linked securities or any of its agents, have the legal ability to invest in the units offered herein and such investment does not contravene any provision of any law, regulation or contractual restriction or obligation or undertaking binding on or affecting the investor, and/or its assets.
- n. Liquidity risk: There is no assurance that a deep secondary market will develop for the instrument. This could limit the ability of the investor to divest them.
- o. Limited Recourse: The instruments represent an undivided beneficial interest in the underlying receivables and do not represent an obligation of either the Issuer or the Seller or the originator, or the parent or any affiliate of the Seller, Issuer and Originator. No financial recourse is available to the buyer of the security against the Investors' Representative.
- p. Delinquency and Credit Risk: Delinquencies and credit losses may cause depletion of the amount available under the Credit Enhancement and thereby the monthly investor payout to the Holders may get affected if the amount available in the Credit Enhancement facility is not enough to cover the shortfall. On persistent default of an Obligor to repay his obligation, the Servicer may repossess and sell the underlying asset. However, many factors may affect, delay, or prevent the repossession of such an underlying asset, or the length of time required to realize the sale proceeds on such sales. In addition, the price at which such underlying asset may be sold may be lower than the amount due from that Obligor.
- q. Risks due to possible prepayments: Full prepayment of a contract may lead to an event in which investors may be exposed to changes in tenor and yield.
- r. Bankruptcy of the Originator or Seller: If the service provider becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that the sale from each Originator was not a sale then an investor could experience losses or delays in the payments due under the instrument.



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- (73) **Risks of investing in a covered bond:** If the service provider becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that the sale from each Originator to the Trust is not valid, the investor could experience losses or delays in the payments due under the instrument.
- (74) **Risk factors associated with investments in REIT and InvIT:**
- I. Risk of lower-than-expected distributions: The distributions by the REIT or InvIT will be based on the net cash flows available for distribution. The amount of cash available for distribution principally depends upon the amount of cash that the REIT/INVIT receives as dividends or the interest and principal payments from portfolio assets. The cash flows generated by portfolio assets from operations may fluctuate primarily based on the below, among other things:
    - a. success and economic viability of tenants and off-takers
    - b. economic cycles and risks inherent in the business which may negatively impact valuations, returns and profitability of portfolio assets
    - c. force majeure events such as earthquakes, floods etc. rendering the portfolio assets inoperable
    - d. debt service requirements and other liabilities of the portfolio assets
    - e. fluctuations in the working capital needs of the portfolio assets
    - f. ability of portfolio assets to borrow funds and access capital markets
    - g. changes in applicable laws and regulations, which may restrict the payment of dividends by portfolio assets
    - h. amount and timing of capital expenditures on portfolio assets
    - i. insurance policies may not provide adequate protection against various risks associated with operations of the REIT/InvIT such as fire, natural disasters, accidents, etc.
    - j. taxation and other regulatory factors.
  - II. Price-Risk: The valuation of the REIT/InvIT units may fluctuate based on economic conditions, fluctuations in markets (e.g. real estate) in which the REIT/InvIT operates in and the resulting impact on the value of the portfolio of assets, regulatory changes, force majeure events etc.
  - III. REITs & InvIT may have volatile cash flows. As an indirect shareholder of portfolio assets, unit holders' rights are subordinated to the rights of creditors, debt holders and other parties specified under Indian law in the event of insolvency or liquidation of any of the portfolio assets.



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- IV. Interest rate risk: Generally, there would be an inverse relationship between the interest rates and the price of units. Generally, when the interest rates rise, prices of units fall and when interest rates drop, such prices increase.
- V. Liquidity Risk: This refers to the ease with which REIT/InvIT units can be sold. There is no assurance that an active secondary market will develop or be maintained. Hence there would be occasions when trading in the units could be infrequent. The subsequent valuation of illiquid units may reflect a discount from the market price of comparable securities for which a liquid market exists.
- (75) **Past performance is not indicative of future performance**: The portfolio manager may share the past performance track record of the Income Portfolio investment approach especially with respect to the payouts earned by the clients in the portfolio over different periods of time with prospective clients. Past performance is neither indicative of future performance nor is there any assurance that some or all of the current aspects, features, highlights such as systematic withdrawal, credit quality, etc. of the investment approach may continue into the future. Investments are subject to market risks and many other forms of risk which have been described in the risk disclosure document.



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7. **Nature of expenses**

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

(i) Investment management and advisory fees.

Management Fees/ Advisory Fees: Professional charges relate to the portfolio management services offered to Clients by the Portfolio Manager. The fee may be a fixed charge, a percentage of the quantum of Funds managed, performance based, fixed fee charged upon exit, or a combination of any of these. Return based fees shall be calculated on “High Water Mark Principle”.

Any advisory fees, if applicable, shall be charged in accordance with the agreement executed between the Company and the client.

Summary of Fees is as follows:

Sr. No	Category	Sub-Category	Nature of Fees	Rate	Applicability	Periodicity
1.	DPMS	Equity DPMS	Management Fees	2% p. a	of AUM	Quarterly
			Performance Fees	20% p. a	of profit over hurdle rate	Annually
2.		Income Portfolio	Management Fees	1.75% p. a	of AUM	Quarterly
3.	NDPMS	NDPMS	Management Fees	2% p. a	of AUM	Quarterly

*\* A separate fee annexure shall be executed between the Portfolio manager and the client at the time of onboarding.*

*In respect of the Equity DPMS and Income Portfolio DPMS, an exit load shall be applicable at the time of exit. The exit load shall be 3% of AUM for exits within 12 months, 2% of AUM for exits between 12 and 24 months, and 1% of AUM for exits between 24 and 36 months.*

(ii) Custodian fee.

The charges relating to opening and operation of dematerialized accounts, custody, Fund administration and transfer charges for shares, bonds and units, dematerialization, rematerialisation and other charges in connection with the operation and management of the depository accounts.

Custodian fees are charged on actual basis.



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(iii) Registrar and transfer agent fee.

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

(iv) Brokerage and transaction cost.

The brokerage charges and other charges like service charge, stamp duty, transaction costs, turnover tax on the purchase and sale of shares, stocks, bonds, debt, deposits, units, and other financial instruments.

The Company is also a SEBI registered Stockbroker. Subject to the Client executing an agreement with Company to avail its brokerage services, the Company may act as the Stockbroker for a Client in respect of any transaction for the Client.

(v) Certification and Professional Charges.

Charges payable for outsourced professional services like accounting, taxation and legal services, notarizations etc. for certifications, attestations required by bankers or regulatory authorities. Fees is charged on actual basis.

Incidental Expenses.

Charges in connection with the courier expenses, stamp duty, service tax, depository charges, postal, telegraphic, opening and operation of bank accounts etc.

(vi) Other Charges.

As may be mutually agreed between Client and Portfolio Manager.

(vii) Audit Report Fees.

In terms of Regulation 30(3) of the Regulations, the Client shall be issued an audit report from the internal auditors of the Company for which fee is payable to the auditors. Fees is charged on actual basis.

(viii) Distribution Fees.

Further to Regulation 23(10) of the Regulations, if the Client is onboarded through a distributor, the distributor shall be paid fees or commission only on trail basis. The fees or commission paid shall be only from the fees received by Portfolio Manager.

The Client shall pay by way of cheque/DD/Debit to the Client portfolio account, as per the respective fee schedule applicable to the portfolio services opted by the Client, as provided in the agreement between the Client and the Portfolio Manager.



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*All fees and charges stated herein shall be levied in accordance with the agreement executed between the Portfolio manager and the client, unless expressly specified otherwise in this disclosure document.*



## 8. Taxation

### A. General

The following information is based on the tax laws in force in India as of the date of this Disclosure Document and reflects the Portfolio Manager's understanding of applicable provisions. The tax implications for each Client may vary significantly based on residential status and individual circumstances. As the information provided is generic in nature, Clients are advised to seek guidance from their own tax advisors or consultants regarding the tax treatment of their income, losses, and expenses related to investments in the portfolio management services. The Client is responsible for meeting advance tax obligations as per applicable laws.

### B. Tax deducted at source

In the case of resident clients, the income arising by way of dividend, interest on securities, income from units of mutual fund, etc. from investments made in India are subject to the provisions of tax deduction at source (TDS). Residents without Permanent Account Number (PAN) are subjected to a higher rate of TDS.

In the case of non-residents, any income received or accrues or arises; or deemed to be received or accrue or arise to him in India is subject to the provisions of tax deduction at source under the IT Act. The authorized dealer is obliged and responsible to make sure that all such relevant compliances are made while making any payment or remittances from India to such non-residents. Also, if any tax is required to be withheld on account of any future legislation, the Portfolio Manager shall be obliged to act in accordance with the regulatory requirements in this regard. Non-residents without PAN or tax residency certificate (TRC) of the country of his residence are currently subjected to a higher rate of TDS.

The Finance Act, 2021 introduced a special provision to levy higher rate for TDS for the residents who are not filing income-tax return in time for previous two years and aggregate of TDS is INR 50,000 or more in each of these two previous years. This provision of higher TDS is not applicable to a non-resident who does not have a permanent establishment in India and to a resident who is not required to furnish the return of income.

### C. Long term capital gains

Where investment under portfolio management services is treated as investment, the gain or loss from transfer of Securities shall be taxed as capital gains under section 45 of the IT Act.

### Period of Holding

The details of period of holding for different capital assets for the purpose of determining long term or short-term capital gains are explained hereunder:



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Securities	Position upto 22 July 2024 Period of Holding	Position on or after 23 July 2024 Period of Holding	Characterization
Listed Securities (other than unit) and unit of equity oriented mutual funds, unit of UTI, zero coupon bonds	More than twelve (12) months	More than twelve (12) months	Long-term capital asset
	Twelve (12) months or less	Twelve (12) months or less	Short-term capital asset
Unlisted shares of a company	More than twenty-four (24) months	More than twenty-four (24) months	Long-term capital asset
	Twenty-four (24) or less	Twenty-four (24) or less	Short-term capital asset
Other Securities (other than Specified Mutual Fund or Market Linked Debenture acquired on or after 1 April 2023; or unlisted bond or unlisted debenture)	More than Thirty-six (36) months	More than twenty-four (24) months	Long-term capital asset
	Thirty-six (36) months or less	Twenty-four (24) or less	Short-term capital asset
Specified Mutual Fund or Market Linked Debenture acquired on or after 1 April 2023	Any period	Any period	Short-term capital asset
Unlisted bond or unlisted debenture	More than 36 months	Any period	Long-term capital asset
	36 months or less		Short-term capital asset

• **Definition of Specified Mutual Fund:**

Before 1st April 2025:

*“Specified Mutual Fund” means a Mutual Fund by whatever name called, where not more than thirty-five per cent of its total proceeds is invested in the equity shares of domestic companies.*

On and after 1st April 2025:

*“Specified Mutual Fund” means, --*

- (a) a Mutual Fund by whatever name called, which invests more than sixty-five per cent. of its total proceeds in debt and money market instruments; or
- (b) a fund which invests sixty-five per cent. or more of its total proceeds in units of a fund referred to in sub-clause (a).



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- **Definition of debt and money market instruments:**

*“debt and money market instruments” shall include any securities, by whatever name called, classified or regulated as debt and money market instruments by the Securities and Exchange Board of India.*

- **Definition of Market Linked Debenture:**

*“Market Linked Debenture” means a security by whatever name called, which has an underlying principal component in the form of a debt security and where the returns are linked to the market returns on other underlying securities or indices, and includes any security classified or regulated as a market linked debenture by SEBI.*

**For listed equity shares in a domestic company or units of equity-oriented fund or business trust**

The Finance Act 2018 changed the method of taxation of long-term capital gains from transfer of listed equity shares and units of equity-oriented fund or business trust.

As per section 112A of the IT Act, long term capital gains exceeding INR 1 lakh arising on transfer of listed equity shares in a company or units of equity-oriented fund or units of a business trust is taxable at 10%, provided such transfer is chargeable to STT. This exemption limit has been increased from INR 1 lakh to INR 1.25 lakh and tax rate has been increased from 10% to 12.5% with effect from 23 July 2024. Further, to avail such concessional rate of tax, STT should also have been paid on acquisition of listed equity shares, unless the listed equity shares have been acquired through any of the notified modes not requiring to fulfil the pre-condition of chargeability to STT.

Long term capital gains arising on transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and consideration is paid or payable in foreign currency, where STT is not chargeable, is also taxed at a rate of 10%. This benefit is available to all assesseees. This tax rate is increased from 10% to 12.5%.

The long-term capital gains arising from the transfer of such Securities shall be calculated without indexation. In computing long term capital gains, the cost of acquisition (COA) is an item of deduction from the sale consideration of the shares. To provide relief on gains already accrued upto 31 January 2018, a mechanism has been provided to “step up” the COA of Securities. Under this mechanism, COA is substituted with FMV, where sale consideration is higher than the FMV. Where sale value is higher than the COA but not higher than the FMV, the sale value is deemed as the COA.

Specifically in case of long-term capital gains arising on sale of shares or units acquired originally as unlisted shares/units upto 31 January 2018, COA is substituted with the “indexed COA” (instead of FMV) where sale consideration is higher than the indexed COA. Where sale value is higher than the COA but not higher than the indexed COA, the sale value is deemed as the COA. This benefit is available only in the case where the shares or units, not



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listed on a recognised stock exchange as on the 31 January 2018, or which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31 January 2018 by way of transaction not regarded as transfer under section 47 (e.g. amalgamation, demerger), but listed on such exchange subsequent to the date of transfer, where such transfer is in respect of sale of unlisted equity shares under an offer for sale to the public included in an initial public offer.

The CBDT has clarified that 10% withholding tax will be applicable only on dividend income distributed by mutual funds and not on gain arising out of redemption of units.

No deduction under Chapter VI-A or rebated under Section 87A will be allowed from the above long term capital gains.

- **For other capital assets (securities and units) in the hands of resident of India**

Long-term capital gains in respect of capital asset (all securities and units other than listed shares and units of equity oriented mutual funds and business trust) is chargeable to tax at the rate of 20% plus applicable surcharge and education cess, as applicable. The capital gains are computed after taking into account cost of acquisition as adjusted by cost inflation index notified by the Central Government and expenditure incurred wholly and exclusively in connection with such transfer. This tax rate is reduced from 20% to 12.5%; but no indexation benefit will be available with effect from 23 July 2024.

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

- **For capital assets in the hands of Foreign Portfolio Investors (FPIs)**

Long term capital gains, arising on sale of debt Securities, debt oriented units (other than units purchased in foreign currency and capital gains arising from transfer of such units by offshore funds referred to in section 115AB) are taxable at the rate of 10% under Section 115AD of the IT Act. This tax rate has been increased from 10% to 12.5% with effect from 23 July 2024. Such gains would be calculated without considering benefit of (i) indexation for the COA and (ii) determination for capital gain/loss in foreign currency and reconversion of such gain/loss into the Indian currency.

Long term capital gains, arising on sale of listed shares in the company or units of equity oriented funds or units of business trust and subject to conditions relating to payment of STT, are taxable at 10% as mentioned in para 12.10.2 above. This tax rate has been increased from 10% to 12.5% with effect from 23 July 2024.



- **For other capital asset in the hands of non-resident Indians**

Under section 115E of the IT Act, any income from investment or income from long-term capital gains of an asset other than specified asset as defined in Section 115C (specified assets include shares of Indian company, debentures and deposits in an Indian company which is not a private company and Securities issued by Central Government or such other Securities as notified by Central Government) is chargeable at the rate of 20%. Income by way long-term capital gains of the specified asset is, however, chargeable at the rate of 10% plus applicable surcharge and cess (without benefit of indexation and foreign currency fluctuation). This tax rate has been increased from 10% to 12.5% with effect from 23 July 2024.

**D. Short term capital gains**

Section 111A of the IT Act provides that short-term capital gains arising on sale of listed equity shares of a company or units of equity oriented fund or units of a business trust are chargeable to income tax at a concessional rate of 15% plus applicable surcharge and cess, provided such transactions are entered on a recognized stock exchange and are chargeable to Securities Transaction Tax (STT). This tax rate has been increased from 15% to 20% with effect from 23 July 2024. However, the above shall not be applicable to transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency. Further, Section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains.

Short term capital gains in respect of other capital assets (other than listed equity shares of a company or units of equity oriented fund or units of a business trust) are chargeable to tax as per the relevant slab rates or fixed rate, as the case may be.

The Specified Mutual Funds or Market Linked Debentures acquired on or after 1 April 2023 will be treated as short term capital asset irrespective of period of holding as per Section 50AA of the IT Act. The unlisted bonds and unlisted debentures have been brought within the ambit of Section 50AA of the IT Act with effect from 23 July 2024.

**E. Profits and gains of business or profession**

If the Securities under the portfolio management services are regarded as business/trading asset, then any gain/loss arising from sale of such Securities would be taxed under the head “**Profits and Gains of Business or Profession**” under section 28 of the IT Act. The gain/ loss is to be computed under the head “Profits and Gains of Business or Profession” after allowing normal business expenses (inclusive of the expenses incurred on transfer) according to the provisions of the IT Act.

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



**F. Losses under the head capital gains/business income**

In terms of section 70 read with section 74 of the IT Act, short term capital loss arising during a year can be set-off against short term as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during the subsequent 8 assessment years. A long-term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during the subsequent 8 assessment years.

Business loss is allowed to be carried forward for 8 assessment years and the same can be set off against any business income.

**G. General Anti Avoidance Rules (GAAR)**

GAAR may be invoked by the Indian income-tax authorities in case arrangements are found to be impermissible avoidance arrangements. A transaction can be declared as an impermissible avoidance arrangement, if the main purpose of the arrangement is to obtain a tax benefit and which satisfies one of the 4 (four) below mentioned tainted elements:

- The arrangement creates rights or obligations which are ordinarily not created between parties dealing at arm's length;
- It results in directly / indirectly misuse or abuse of the IT Act;
- It lacks commercial substance or is deemed to lack commercial substance in whole or in part; or
- It is entered into, or carried out, by means, or in a manner, which is not normally employed for bona fide purposes.

In such cases, the tax authorities are empowered to reallocate the income from such arrangement, or recharacterize or disregard the arrangement. Some of the illustrative powers are:

- Disregarding or combining or recharacterising any step in, or a part or whole of the arrangement;
- Ignoring the arrangement for the purpose of taxation law;
- Relocating place of residence of a party, or location of a transaction or situation of an asset to a place other than provided in the arrangement;
- Looking through the arrangement by disregarding any corporate structure; or
- Recharacterising equity into debt, capital into revenue, etc.

The GAAR provisions would override the provisions of a treaty in cases where GAAR is invoked. The necessary procedures for application of GAAR and conditions under which it should not apply, have been enumerated in Rules 10U to 10UC of the Income-tax Rules, 1962. The Income tax Rules, 1962 provide that GAAR should not be invoked unless the tax benefit in the relevant year does not exceed INR 3 crores.



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On 27 January 2017, the CBDT has issued clarifications on implementation of GAAR provisions in response to various queries received from the stakeholders and industry associations. Some of the important clarifications issued are as under:

- Where tax avoidance is sufficiently addressed by the Limitation of Benefit Clause (LOB) in a tax treaty, GAAR should not be invoked.
- GAAR should not be invoked merely on the ground that the entity is located in a tax efficient jurisdiction.
- GAAR is with respect to an arrangement or part of the arrangement and limit of INR 3 crores cannot be read in respect of a single taxpayer only.

#### **H. FATCA Guidelines**

According to the Inter-Governmental Agreement read with the Foreign Account Tax Compliance Act (FATCA) provisions and the Common Reporting Standards (CRS), foreign financial institutions in India are required to report tax information about US account holders and other account holders to the Indian Government. The Indian Government has enacted rules relating to FATCA and CRS reporting in India. A statement is required to be provided online in Form 61B for every calendar year by 31 May. The reporting financial institution is expected to maintain and report the following information with respect to each reportable account:

- (a) the name, address, taxpayer identification number and date and place of birth;
- (b) where an entity has one or more controlling persons that are reportable persons:
  - (i) the name and address of the entity, TIN assigned to the entity by the country of its residence; and
  - (ii) the name, address, date of birth, place of birth of each such controlling person and TIN assigned to such controlling person by the country of his residence.
- (c) account number (or functional equivalent in the absence of an account number);
- (d) account balance or value (including, in the case of a cash value insurance contract or annuity contract, the cash value or surrender value) at the end of the relevant calendar year; and
- (e) the total gross amount paid or credited to the account holder with respect to the account during the relevant calendar year.

Further, it also provides for specific guidelines for conducting due diligence of reportable accounts, viz. US reportable accounts and other reportable accounts (i.e. under CRS).

#### **I. Goods and Services Tax on services provided by the portfolio manager**

Goods and Services Tax (GST) will be applicable on services provided by the Portfolio Manager to its Clients. Accordingly, GST at the rate of 18% would be levied on fees if any, payable towards portfolio management fee.



## 9. Accounting policies

Following accounting policies are followed for the portfolio investments of the Client:

### A. Client Accounting

- (1) The Portfolio Manager shall maintain a separate Portfolio record in the name of the Client in its book for accounting the assets of the Client and any receipt, income in connection therewith as provided under Regulations. Proper books of accounts, records, and documents shall be maintained to explain transactions and disclose the financial position of the Client's Portfolio at any time.
- (2) The books of account of the Client shall be maintained on an historical cost basis.
- (3) Transactions for purchase or sale of investments shall be recognised 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.
- (4) All expenses will be accounted on due or payment basis, whichever is earlier.
- (5) The cost of investments acquired or purchased shall include brokerage, stamp charges and any charges customarily included in the broker's contract note. In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment. Sales are accounted based on proceeds net of brokerage, stamp duty, transaction charges and exit loads in case of units of mutual fund. Securities transaction tax, demat charges and Custodian fees on purchase/ sale transaction would be accounted as expense on receipt of bills. Transaction fees on unsettled trades are accounted for as and when debited by the Custodian.
- (6) Tax deducted at source (TDS) shall be considered as withdrawal of portfolio and debited accordingly.

### B. Recognition of portfolio investments and accrual of income

- (7) In determining the holding cost of investments and the gains or loss on sale of investments, the "first in first out" (FIFO) method will be followed.
- (8) Unrealized gains/losses are the differences, between the current market value/NAV and the historical cost of the Securities. For derivatives and futures and options, unrealized gains and losses will be calculated by marking to market the open positions.



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- (9) Dividend on equity shares and interest on debt instruments shall be accounted on accrual basis. Further, mutual fund dividend shall be accounted on receipt basis.
- (10) Bonus shares/units to which the security/scrip in the portfolio becomes entitled will be recognized only when the original share/scrip on which bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
- (11) Similarly, right entitlements will be recognized only when the original shares/security on which the right entitlement accrues is traded on the stock exchange on the ex-right basis.
- (12) In respect of all interest-bearing Securities, income shall be accrued on a day-to-day basis as it is earned.
- (13) Where investment transactions take place outside the stock exchange, for example, acquisitions through private placement or purchases or sales through private treaty, the transactions shall be recorded, in the event of a purchase, as of the date on which the scheme obtains an enforceable obligation to pay the price or, in the event of a sale, when the scheme obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.

**C. Valuation of portfolio investments**

- (14) Investments in listed equity shall be valued at the last quoted closing price on the stock exchange. When the Securities are traded on more than one recognised stock exchange, the Securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded. It would be left to the portfolio manager to select the appropriate stock exchange, but the reasons for the selection should be recorded in writing. There should, however, be no objection for all scrips being valued at the prices quoted on the stock exchange where a majority in value of the investments are principally traded. When on a particular valuation day, a security has not been traded on the selected stock exchange, the value at which it is traded on another stock exchange may be used. When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to the valuation date.
- (15) Investments in units of a mutual fund are valued at NAV of the relevant scheme. Provided investments in mutual funds shall be through direct plans only.



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- (16) Debt Securities and money market Securities shall be valued as per the prices given by third party valuation agencies or in accordance with guidelines prescribed by Association of Portfolio Managers in India (APMI) from time to time.
- (17) Unlisted equities are valued at prices provided by independent valuer appointed by the Portfolio Manager basis the International Private Equity and Venture Capital Valuation (IPEV) Guidelines on a semi-annual basis.
- (18) In case of any other Securities, the same are valued as per the standard valuation norms applicable to the mutual funds.

The Investor may contact the customer services official of the Portfolio Manager for the purpose of clarifying or elaborating on any of the above policy issues.

The Portfolio Manager may change the valuation policy for any particular type of security consequent to any regulatory changes or change in the market practice followed for valuation of similar Securities. However, such changes would be in conformity with the Regulations.



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10. Investors services

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

<b>Name</b>	Mrs. Pallavi Narkar
<b>Designation</b>	Head – Client Service
<b>Email id</b>	mailto: clientservice@klaygroup.com
<b>Address</b>	1402, ONE BKC, B-Wing, G - Block, Bandra Kurla Complex, Mumbai - 400051, Maharashtra, India
<b>Telephone no.</b>	+91 022 6910 6000

The official mentioned above will ensure prompt investor services. The Portfolio Manager will ensure that this official is vested with the necessary authority, independence, and wherewithal to handle investor complaints.

- (ii) Grievance redressal and dispute settlement mechanism.

The Portfolio Manager has in place a dedicated system for addressing all complaints regarding service deficiencies or causes of 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.

Grievance and Settlement Mechanism through SEBI Complaints Redressal System Platform (**SCORES**):

Further in case the resolution provided by the Portfolio Manager is not satisfactory, the matter may be referred to SEBI through the SEBI Complaints Redress System platform (“**SCORES**”). On receipt of complaints through SCORES, SEBI takes up the matter with the concerned market intermediary and follows up with them.

A compliant shall be treated as resolved/ disposed / closed only when SEBI disposes/ closes the complaint in SCORES. Hence mere filing of Action Taken Report (“**ATR**”) with respect to the complaint will not mean that the complaint is not pending against them.

Failure by the Portfolio Manager to file ATR under SCORES within 30 days of receipt of the grievance shall not only be treated as failure to furnish information to SEBI but shall also be deemed to constitute non-redressal of investor grievance.

All disputes, differences, claims, and questions whatsoever will in the first place be tried to be settled my mutual discussions. In the event of failure of settlement through



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mutual discussions between the Client and Portfolio Manager, 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 and subject to the provisions of the Arbitration and Conciliation Act 1996, or any statutory requirement, modification or re-enactment thereof, or in accordance with such other manner as may be specified in the agreement between the Client and the Portfolio Manager. Such arbitration proceedings shall be held at Mumbai or such other place as the Portfolio Manager thinks fit.

In accordance with SEBI's Online Dispute Resolution (“**Smart ODR**”) framework, if an investor grievance remains unresolved after completion of the Portfolio Manager's internal grievance redressal mechanism and escalation through the SCORES platform, the Client may refer the dispute to the Smart ODR platform. Eligible disputes will be handled by SEBI-empanelled ODR Institutions through online conciliation and, where required, online arbitration. Awards issued under Smart ODR shall be final and enforceable as arbitral awards under the Arbitration and Conciliation Act, 1996, and the Client and the Portfolio Manager agree to adhere to the procedures and timelines prescribed under the Smart ODR mechanism.

Link to access Smart ODR: <https://smartodr.in/login>



**11. Details of the diversification policy of the portfolio manager**

Portfolio diversification is a strategy of risk management used in investing, which allows to reduce risks by allocating the funds in multiple asset types. It helps to mitigate the associated risks on the overall investment portfolio. The Portfolio Manager shall invest in equity and equity related securities. However, from time to time on an opportunistically basis, may also choose to invest in money market instruments, units of mutual funds, ETFs or other permissible securities/products in accordance with the Applicable Laws.

*In the case of diversification via investment in the securities of Related Party/group companies. The diversification shall be done as follows:*

The Portfolio Manager shall invest up to a maximum of 30% of the Client's AUM in the securities of its associates/related parties. The Portfolio Manager shall ensure compliance with the following limits:

Security	Limit for investment in single associate/related party (as percentage of Client's AUM)	Limit for investment across multiple associates/related parties (as percentage of Client's AUM)
Equity	15%	25%
Debt and hybrid securities	15%	25%
Equity + Debt + Hybrid securities*	30%	

\*Hybrid securities include units of Real Estate Investment Trusts (REITs), units of Infrastructure Investment Trusts (InvITs), convertible debt securities and other securities of like nature.

The aforementioned limits shall be applicable only to direct investments by Portfolio Manager in equity and debt/hybrid securities of its associates/related parties and not to any investments in the Mutual Funds.

The Portfolio Manager shall not make any investment in unrated and below investment grade securities.



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**Part-II- Dynamic Section**

**12. Client Representation**

(i) Details of Clientele and Funds Managed under **DISCRETIONARY**.

Category of clients	Years	No. of clients	Funds managed (Rs. Cr.)	Discretionary (Type of Account)
Associates / group companies (Last 3 years)	31.03.2023	NIL	NIL	
	31.03.2024			
	31.03.2025			
Others (last 3 years)	31.03.2023	44	45.87	Discretionary
	31.03.2024	38	41.62	Discretionary
	31.03.2025	28	29.32	Discretionary

(i) Details of Clientele and Funds Managed under **NON-DISCRETIONARY**.

Category of clients	Years	No. of clients	Funds managed (Rs. Cr.)	Non-Discretionary (Type of Account)
Associates / group companies (Last 3 years)	31.03.2023	NIL	NIL	
	31.03.2024			
	31.03.2025			
Others (last 3 years)	31.03.2023	73	251.84	Non-Discretionary
	31.03.2024	83	449.87	Non-Discretionary
	31.03.2025	86	596.32	Non-Discretionary

<b>Total</b>	<b>114</b>	<b>625.64</b>	Discretionary+ non-discretionary
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(ii) Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India as on March 31, 2025.

a. Related Parties and their Relationship:

SN	NAME OF THE PARTY	NATURE OF RELATIONSHIP
1.	Klay Holding (DIFC) Limited	Holding Company
2.	Klay Finvest Private Limited	Fellow Subsidiary
3.	Klay Investment Private Limited	Fellow Subsidiary



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4.	Klay Asset Management (Mauritius) Limited	Associate Company
5.	Klay Asset Management Limited, Cayman	Associate Company
6.	Klay Capital Limited	Associate Company
7.	Klay Capital Limited PTE Limited	Associate Company
8.	Klay Funds Limited	Associate Company
9.	Klay Growth Fund (CAT III AIF)	Klay Securities is the Investment Manager
10.	Kalpesh Khakhria	Director
11.	Nikita Jain	Director
12.	Ian D'souza	Director
13.	Akshat Kumar	Fund Manager
14.	Ravi Malani	Fund Manager
15.	Niren Mulchand Vora	Director
16.	Vinayak Vishwanath Parab	Company Secretary

b. Significant transactions with Related Parties as per balance Sheet on 31.03.2025.

PARTICULARS	APRIL 01, 2024, TO MARCH 31, 2025 (in '000.)
<b>Klay Finvest Private Limited</b>	
Reimbursement of expenses	4,165
<b>Klay Asset Management (Mauritius) Limited</b>	
Investment advisory services	232
<b>Klay Holdings (DIFC) Limited</b>	
Issue of shares	45,714
Interest expense on debentures	7,238
<b>Klay Capital Limited</b>	
Referral fees/commission	17,109
Reimbursement of expenses	1,180
<b>Klay Capital PTE Limited</b>	
Reimbursement of expenses	1,206
<b>Akshat Kumar</b>	
Reimbursement of expenses	109
<b>Ian D'souza</b>	
Reimbursement of expenses	1,787
<b>Niren Vora</b>	



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Reimbursement of expenses	28
<b>Employee benefit expenses</b>	
Akshat Kumar	6,529
Ian D’Souza	16,163
Niren Vora	4,791
<b>Klay Growth Fund</b>	
Trading related	264
Management fees	4,907
Reimbursement of expense	429
<b>Klay Funds Limited</b>	
Brokerage	1,117
Reimbursement of expenses	1,171

- c. Conflicts of interest with separate business divisions and affiliates.
1. Klay Securities Private Limited, apart from being a SEBI Registered Portfolio Manager, is a SEBI Registered Stockbroker vide Registration Number INZ000177934, and a SEBI Registered Depository Participant vide Registration Number IN-DP-388-2018 and an Investment Manager to category III Alternate Investment Fund registered with SEBI vide Registration Number IN/AIF3/19- 20/0753. All the aforesaid activities are carried on by the respective separately identifiable division of the company at arm’s length basis.
  2. Klay Securities Private Limited has several affiliates both abroad and within India (hereinafter called the “Affiliates” of Klay Securities Private Limited). There has been no adverse business and disciplinary history in respect of any of the aforesaid entities.
  3. Klay Securities Private Limited and some of the affiliates are engaged in various types of distribution services of financial products. KIPL does not promote the services offered by its Affiliates to any of its clients. It’s another associate company Klay Finvest Private Limited is a RBI registered Non-Banking Financial Company. Certain transactions on behalf of the Clients of Portfolio Management (eg: sale and purchase of listed Securities, investment in units of mutual funds and corporate bonds etc. may be carried out through these separately identifiable divisions of Klay Securities Private Limited and/or through affiliates that are authorised to carry out such transactions. It is disclosed that, while such transactions will be carried out at arm’s length from the PMS Division of Klay Securities Private Limited, it may earn commission/brokerage on such transactions within permissible limits wherever applicable. In this connection, it is disclosed that there will exist a conflict of interest



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to the extent of such commissions/brokerages. The conflict is mitigated by keeping such transactions at arm's length and at market related rates.

4. Klay Securities Private Limited, may have a proprietary trading portfolio of Securities, appropriately carried on with due approval from the respective stock exchanges with whom it is a member. Due care is taken to ensure that any such investments/holdings do not violate any SEBI Regulations in letter and spirit.



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13. Financial Performance

PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2025 (Rs.)	FOR THE YEAR ENDED MARCH 31, 2024 (Rs.)	FOR THE YEAR ENDED MARCH 31, 2023 (Rs.)
	Audited	Audited	Audited
Gross Income	9,91,56,457	7,40,46,592	4,84,48,890
Expenses	18,81,78,358	15,04,75,974	14,77,90,839
Profit / (Loss) before Tax	(8,90,21,901)	(7,64,29,382)	(9,93,41,949)
Provision for Taxation	-	(1,26,825)	(34,46,000)
<b>Profit / (Loss) after Tax</b>	<b>(8,90,21,901)</b>	<b>(7,65,56,207)</b>	<b>(10,27,87,949)</b>
Balance in Profit & Loss account brought forward	(44,28,79,548)	(36,63,23,341)	(26,35,37,144)
Balance in Profit & Loss account carried forward	(53,19,01,449)	(44,28,79,548)	(36,63,25,093)
Equity Capital	69,91,03,921	65,33,89,635	62,92,93,250
Reserves and Surplus	(48,17,12,120)	(42,69,75,934)	(36,63,25,093)



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**14. Performance of Portfolio Manager**

The following table provides details of the portfolio management performance for preceding 3 years using “Time weighted Rate of Return” method in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulation, 2020.

**a. DPMS - Income Portfolio**

Particulars	01st April 2025 To 31st December 2025	April 01, 2024, To 31st March 2025	As March 2024	On 31, 2023	As March 2023	On 31, 2022
Portfolio Performance (%), net of all fee and charges levied by the Portfolio Manager	5.54	9.03	9.22		7.9	
Benchmark Performance (%) Crisil Composite Bond Index	4.21	10.47	8.26		3.80	

Note: The strategy has not completed 1 year as on March 31, 2022. CRISIL Customized Klay Securities Index was used for part of the year in place of SPBINCOT.

\*Income Portfolio was launched in November 2021. Accordingly, absolute return for the period Nov-21 to Mar-22 has been reported.

The following benchmarks were used earlier:

1. SPBINCOT (Nov 21 to Sep 22) Crisil Customized Klay Securities Index (Oct 22 to March 23)
2. Crisil – Aggressive Credit Debt Term Index (April 2023 to March 2025)
3. W.e.f. April 1, 2025, Crisil Composite Bond Index is being used and accordingly, the table above incorporates the benchmark values for the last three FYs.



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b. NDPMS

Particulars	01st April 2025 To 31st December 2025	April 01, 2024, To 31st March 2025	As On March 31, 2024	As On March 31, 2023
Portfolio Performance (%), net of all fee and charges levied by the Portfolio Manager	10.96	4.43	24.25	-2.35
Benchmark Performance (%) BSE S&P Hybrid TR Index	8.88	6.83	22.60	2.57

\*Disclaimer: The performance-related information is not verified by SEBI.

For all the Investment Approach/strategies mentioned above; the benchmark selected shall be based on the SEBI circular dated December 16, 2022 & APMI (Association of Portfolio Managers of India) circular dated March 23, 2023, and March 31, 2023. The said circulars are effective from April 1, 2023, and accordingly all Portfolio Managers are mandated to use amongst the stated benchmarks.

W.E.F. April 1, 2025, KSPL uses the following benchmarks:

Investment Approach/Strategy	Benchmark
Income Portfolio	Crisil Composite Bond Index
NDPMS	BSE S&P Hybrid TR



**15. Audit Observations**

There have been no adverse observations reported by Statutory Auditor in the last 3 preceding years



Klay Securities Private Limited  
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16. Details of investments in the securities of related parties of the portfolio manager

Sr.No.	Investment Approach, if any	Name of the associate/ related party	Investment amount (cost of investment) as on last day of the previous calendar quarter (INR in crores)	Value of investment as on last day of the previous calendar quarter (INR in crores)	percentage of total AUM as on last day of the previous calendar quarter
NIL*					

\*Klay Securities as a Portfolio Manager has not invested into the securities of the related parties.

**Ian Luis Xavier Dsouza**  
Digitally signed by Ian Luis Xavier Dsouza  
Date: 2026.01.22 16:13:50 +05'30'

Name: **Ian Luis Xavier Dsouza**  
Designation: Principal Officer & Director

Date: **22 January 2026**  
Place: Mumbai

**NIREN MULCHAND VORA**  
Digitally signed by NIREN MULCHAND VORA  
Date: 2026.01.22 16:14:11 +05'30'

Name: **Niren Mulchand Vora**  
Designation: Compliance Officer & Director

Date: **22 January 2026**  
Place: Mumbai



Klay Securities Private Limited  
Portfolio Management Services – Disclosure Document

FORM C

SECURITIES AND EXCHANGE BOARD OF INDIA (PORTFOLIO MANAGERS)  
REGULATIONS, 2020 (Regulation 22)

**KLAY SECURITIES PRIVATE LIMITED**

Registered office address: 1402, One BKC, B Wing, G Block, Bandra Kurla Complex,  
Bandra East, Mumbai – 400051

We confirm that:

- I. The Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Board from time to time.
- II. The disclosures made in the document are true, fair and adequate to enable the investors to make a well-informed decision regarding entrusting the management of the portfolio to us/ investment in the portfolio management services.
- III. The disclosure document has been duly certified by an independent chartered accountant viz: Mr. Kamlesh P Mehta (Membership no. 045573) proprietor of Kamlesh P Mehta Associates, Chartered Accountants ICAI firm registration no. 120063W, 5th Floor, Rishabhraj Vatsal, A-wing, SV Road, Kandivali (W), Mumbai-400067.

Enclosed is copy of the Chartered accountants certificate to that effect that the disclosures made in the document are true, fair and adequate to enable the investors to make a well-informed decision.

**For Klay Securities Private Limited**

Ian Luis  
Xavier Dsouza

Digitally signed by Ian  
Luis Xavier Dsouza  
Date: 2026.01.22  
16:14:30 +05'30'

**Principal Officer Name: Ian Xavier Dsouza**

**Email: [ian@klaygroup.com](mailto:ian@klaygroup.com)**

**Phone No: +91 9769643444**

**Date: 22nd January 2026**

**Place: Mumbai**



**CERTIFICATE**

We have been requested by **M/s Klay Securities Private Limited** (the "Portfolio Manager") having its registered office at B-1402, ONE BKC, G-Block, Bandra Kurla Complex, Mumbai – 400051, Maharashtra, India a SEBI registered Portfolio Manager (**Reg No.INP000006280**), to certify the contents and information provided in the Disclosure Document required to be filed with Securities and Exchange Board of India (SEBI) as per Regulation 22(5) of SEBI (Portfolio Managers) Regulations, 2020.

We have verified the Disclosure Document dated January 22, 2026 for portfolio management services prepared by the Portfolio Manager in accordance with model disclosure document as per SEBI Circular No. SEBI/HO/IMD/IMD-RAC-3/P/CIR/2025/125 dated September 09, 2025 and Regulation 22 of the of the Securities and Exchange Board (Portfolio Managers) Regulations, 2020, and the details with the respective documents, system generated reports provided by the management of the Portfolio Manager and have relied on various representations made to us by the management wherever necessary.

Based on our verification of the records and the information and explanations given to us, we hereby certify that the contents and information provided in the Disclosure Document dated **22<sup>nd</sup> January, 2026** and annexed hereto are true, fair and adequate to enable the investors to make a well-informed decision.

We have relied on the representation given by the management about the penalties or litigation against the Portfolio Manager mentioned in the disclosure document. We are unable to comment on the same.

The certificate has been issued solely for complying with the requirements of SEBI (Portfolio Managers) Regulations, 2020 for the sole purpose of certifying the contents of the Disclosure Document for Portfolio Management and should not be used or referred to for any other purpose without our prior written consent.

**For Kamlesh P. Mehta Associates**

Chartered Accountants

**Firm Registration No: 120063W**

KAMLESH

PRANLAL MEHTA

Digitally signed by KAMLESH PRANLAL MEHTA  
DN: cn=KAMLESH PRANLAL MEHTA, o=CA INDIA, email=kamleshmehtaca@gmail.com, postalCode=400002, serialNumber=04461806089164219962670194281, c=IN  
Date: 2025.01.22 18:17:32 +05'30'

**Kamlesh P Mehta**

Proprietor

**Membership No.:045573**

**UDIN No: 26045573EGWNTN7249**

**Date: 22-01-2026**

**Place: Mumbai**