

PORTFOLIO MANAGEMENT SERVICES AGREEMENT

BETWEEN

-----  
(as the Client)

AND

BONANZA PORTFOLIO LIMITED  
(as the Portfolio Manager)

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## PORTFOLIO MANAGEMENT SERVICES AGREEMENT

THIS AGREEMENT made this \_\_\_\_ day of \_\_\_\_\_ 20\_\_  
BETWEEN \_\_\_\_\_ residing / having office  
at \_\_\_\_\_

\_\_\_\_\_ (hereinafter referred to as the "Client" which expression shall, unless repugnant to the context or meaning thereof include its legal representatives, executors, administrators, successors, assigns, permitted assigns and heirs ) of the One Part AND **BONANZA PORTFOLIO LIMITED (BPL)** a company incorporated under the Companies Act 1956 and having its Registered Office at **4353- 4C, MADAN MOHAN STREET , ANSARI ROAD, DARYA GANJ, NEW DELHI - 110002** as "Portfolio Manager" which expression shall unless repugnant to the context or meaning thereof include its legal representatives, executors, administrators, successors, assigns, permitted assigns and heirs) of the Other Part.

### WHEREAS

(A) Bonanza Portfolio Limited (BPL) is duly registered as a Portfolio Manager with SEBI under the provision of the Securities and Exchange Board of India (Portfolio Managers) Rules, 1993 bearing registration no. INP000000985.

(B) At the request of the client BPL has agreed to provide Portfolio Management Service to the Client. Bonanza Portfolio Limited (BPL) proposes to invest funds of its clients primarily in Securities and/or Mutual Funds and to provide portfolio management services to its clients and the Client desires to avail of these services by placing certain funds at the former's disposal in terms of this agreement.

(C) Bonanza Portfolio Limited (BPL), i.e. the Portfolio Manager and the Client hereby record their mutual understanding and their common intention in the manner as hereinafter provided.

⊗ NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:

## 1. DEFINITIONS AND INTERPRETATIONS

### 1.1 DEFINITIONS

- a) "Agreement" means this Portfolio Management Services Agreement and shall include all modifications, alterations, additions or deletions thereto made in writing upon mutual consent of the parties hereto.
- b) "Client" means \_\_\_\_\_ who has entered into this agreement.
- c) "Custodian" means Bonanza Portfolio Limited (BPL) for Custody of Securities.
- d) "Derivatives" means as defined under section 2 of the Securities Contract Regulation Act, 1956 and includes inter alia the following:
  - I. a security derived from a debt instrument, share, loan whether secured or unsecured, risk instrument or contract for differences or any other form of security;
  - II. a contract which derives its value from the prices, or Index or price, of underlying securities;
- e) "Net Asset Value" includes [(Market Value of Equity Investments + NAV of Equity Mutual Funds + Debt or Fixed Income Securities on face value plus accrued interest + NAV of Debt Mutual Funds + Cash + Balances with Broker) + (Dividend + Interest + any other receivables) + mark to market debit/credit of derivatives + margin money] less [(Accrued Expenses like brokerages/taxation/ Depository Charges + other Statutory Liabilities)].
- f) "Party or Parties" means the Client and/or "BPL" as the case may be or as the context may require.
- g) "Portfolio Manager" means "Bonanza Portfolio Limited" or alternatively called "BPL".
- h) "SEBI" means Securities and Exchange Board of India.
- i) "Securities" means Securities as defined under Section 2 of Securities Contracts and Regulation Act, 1956, except any securities which the Portfolio Manager is prohibited from investing in under the Portfolio Management rules, regulations or any other law for the time being in force.
- j) "Mutual Funds" means Mutual Funds as defined under section 2 of the SEBI (Mutual Fund) regulation, 1996 and includes exchange traded funds.
- k) "Return" means NAV at the end of the quarter minus the NAV at the end of last quarter.
- l) "Quarter" means a period of 3 successive calendar months ending on the last date of the month of March or June or September or December of the respective calendar year.
- m) "Cash" means the amount lying in the specified bank account of the PMS clients.
- n) "Fund" includes cash and/or securities and/or Mutual Funds in the clients PMS account.
- o) "Margin" means amount payable, if any, as part of a risk containment mechanism and as stipulated and required by the stock exchanges and/or SEBI in the capital market and derivative segments towards all purchases and sales made in the investors PMS account. Margin includes but not limited to initial margin, mark to mark margin, volatility margin, additional volatility margin and special margin or other margin as stipulated by exchanges and/or regulatory authorities from time to time.
- p) "PMS" means Portfolio Management Services Scheme/s in force.

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- q) “Specified bank” means the bank or banks in which the client’s funds are kept in terms of this agreement.
- r) “Effective Date” means the date of execution of this Agreement.
- s) “Nominee” shall mean the nominee of the Client and whose name and address has been specified by the Client in the Account Opening Form at the time of opening an account with the Portfolio manager.
- t) “Intermediaries” means custodians, banker to an issue, trustee, registrar to an issue, merchant banker, depositories, depository participants, transfer and pricing agents, accountants, investment advisors, consultants, attorneys, printers, underwriters, brokers and dealers, insurers and any other persons in any capacity who may be associated with the securities market.
- u) “Profits Distributed” means any amount of money returned to the client over and above his own contribution /corpus/investments.

## 1.2 INTERPRETATIONS

- a) In this agreement, the headings are for convenience only and shall not affect interpretations.
- b) Where a word or phrase is defined other parts of speech and grammatical forms of that word or phrase shall have corresponding meanings.
- c) Each defined term stated in the singular or the plural will include singular or plural of that term.

## 2. APPOINTMENT OF PORTFOLIO MANAGER

- 2.1 The Client does hereby entrust the Portfolio Manager and the Portfolio Manager do hereby accept the assignment to act as Client’s “Portfolio Manager” on Discretionary basis on the terms and conditions as stated in the agreement.
- 2.2 The Client hereby appoints “Portfolio Manager” as its attorney for the term of this agreement and for the purpose of carrying out in the name and on behalf of the Client the functions as contemplated by this agreement & undertakes to ratify & confirm all that “Portfolio Manager” shall lawfully and beneficially do pursuant to this agreement. The Client agrees to execute from time to time one or more power of attorneys in such form and content as required by the Portfolio Manager and / or to do such other acts or things as are necessary for the purpose of this agreement.
- 2.3 In the case of the discretionary portfolio, the Portfolio Manager has the full authority for the selection, acquisition, & disposal of the investments as per his sole discretion.
- 2.4 The Portfolio Manager shall act in a fiduciary capacity and as a trustee and as an agent of the Client’s account.

## 3. INVESTMENT OBJECTIVE

- 3.01 Pursuant to the objective of the Agreement to provide the Client with a structure that can achieve capital growth and/or income generation, the Portfolio Manager shall endeavor to apply its professional expertise in order to assist the Client to achieve his goals by investing in Equity, Equity related instruments and/or Mutual Funds. Portfolio Manager may also take exposure in Derivatives and keep idle cash in Money Market instruments.
- 3.02 The Client understands that BPL may be acting in a similar capacity for other institutional or individual clients and investments and reinvestments for the Client’s portfolio may differ from those made or recommended with respect to other clients even though the investment objectives may be the same or similar.

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- 3.03 It is clarified that in respect of investments in derivatives, the Portfolio Manager shall not leverage the Portfolio and the total exposure of the Client in derivatives shall not exceed the funds placed with the Portfolio Manager.
- 3.04 The Portfolio Manager shall provide Portfolio management services without guaranteeing or assuring directly or indirectly any return to the Client

#### 4. INVESTMENT OF FUNDS

- 4.01 “BPL” shall invest the Client’s funds primarily in securities and/or Mutual Funds as defined above. The client clearly understands that investment in Securities and/or Mutual Funds entails risk and that there can be no assurance by “BPL” about the returns thereon or even as regards preservation of capital. The client is therefore, investing through this Agreement, only such funds that can be entirely risked and placed by them with “BPL” for its best advice.
- 4.02 The agreed amount of investment is Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_) comprising of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_) in cash and Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_) being NAV as on Effective Date of the Client Securities listed in *Annexure ‘A’*. On the Effective Date:
- 4.03 Funds of all clients shall be kept in a separate specified bank account with the Bank and they shall be used only for the purchase of Securities and/or Mutual Funds and payment of allowable expenses / fees. “BPL” or the Client shall not use the funds in any other manner. “BPL” shall not use funds of one client for meeting the obligation of any other Client.
- 4.04 The Investments of “BPL” and / or its Client, officers, associates, brokers or custodian may be similar or dissimilar to holdings in Client’s account and such investments may be made at different times and / or at different prices than Investment by any of them.
- 4.05 “BPL” shall invest the Client’s funds in Derivatives only for the purposes of hedging and/or portfolio rebalancing keeping adherence with guidelines/circulars issued by the SEBI from time to time.
- 4.06 All transactions between “BPL” and the Client or between the Client and any other Client(s) of the “BPL” shall be at prevailing market prices or the closing prices as the case may be.
- 4.07 The surplus funds will be deployed in appropriate mutual funds and/or money market instruments, based on the expected time the funds are not expected to be used for purchase of securities.
- 4.08 The minimum initial funds/amount to be brought by the Client in the form of funds and/or securities and/or Mutual Funds shall be Rs.5 lacs incase of Bonanza Prosperity, Bonanza Trend, Bonanza Privilege, Bonanza Derivatives Funds, Bonanza Alpha+, Bonanza Bluechip, Bonanza Growth, Bonanza Edge and Bonanza Value & in case of Bonanza Wealth the minimum initial fund will be Rs.10 Lacs.

#### 5. DISCALAIMER

- 5.01 BPL” does not provide any warranty (expressed or implied) as to the appreciation in the value of Securities and/or Mutual Funds in which funds are invested by “BPL”. “BPL” shall not be liable in case of depreciation in the value of Securities in which funds are invested by “BPL”, or any other indirect consequential losses.

⊗ **6. DUTIES, RESPONSIBILITIES OF “PORTFOLIO MANAGER”**

- 6.01 “BPL” shall act in a fiduciary capacity with regard to the Client’s funds. It shall not derive any benefit from the Client’s funds or Securities and / Mutual Funds purchased for the Client and shall strive to safeguard the Client’s interests to the best of its ability at all times.
- 6.02 Securities and/or Mutual Funds shall be held directly in the name of the client and shall be kept with the Custodian. The Custodian shall follow up all entitlements such as bonus, rights, dividend, etc on behalf of the Client. The Custodian shall provide a Statement of Portfolio Holdings to “BPL” who shall forward it to the Client at regular intervals as agreed. The Client’s Securities and/or Mutual Funds shall always belong to the Client and “BPL” shall not pledge them or any of them with any entity, or derive any benefit from the same, without specific written consent of the client.
- 6.03 “BPL” shall ensure proper and timely handling of complaints from the Clients and take appropriate action immediately.
- 6.04 “BPL” will make best efforts to safeguard the Client’s interests with regard to dealings with capital market intermediaries such as brokers, custodians, bankers, etc. Any contract or understanding arrived at by “BPL” with any such intermediary shall be strictly on behalf of the Client, and “BPL” shall not be responsible for the due performance of the contract or understanding by the intermediary.
- 6.05 “BPL” shall maintain books of accounts separately in the name of client.
- 6.06 “BPL” shall maintain clientwise transactions and related book of accounts as provided by SEBI (Portfolio Manager) Regulation, 1993.
- 6.07 “BPL” shall permit the client, to have access to the books of accounts and documents relating to his transactions at any time during working hours.
- 6.08 “BPL” shall ensure that the statement / document / report furnished to the client present a true & fair picture of actual transactions.
- 6.09 “BPL” shall not:
- a) Trade on margin or on a speculative basis on behalf of the Client. All transaction shall be on delivery basis.
  - b) Pledge or give on loan securities held on behalf of Client to a third person without obtaining a written permission from the Client.
  - c) Lend securities held on behalf of the Client to a third person save and except as provided under SEBI (Portfolio Managers) Regulations, 1993 as amended from time to time
- 6.10 “BPL” shall transact in Securities and/or Mutual Funds within the limitation placed by the Client with regard to dealing in Securities under the provisions of the Reserve Bank of India Act, 1934 (92 of 1934).
- 6.11 “BPL” shall keep books of accounts and shall get the same audited by an independent Chartered Accountant as required under SEBI (Portfolio Manager’s) Regulations, 1993.
- 6.12 “BPL” shall furnish the following reports periodically to the Client. Such report shall contain the following details namely:
- a) Quarterly report on the composition and value of the portfolio, description of securities and/or Mutual Funds, number of securities, value of each security held in the portfolio, cash balance and aggregate value of the Portfolio as on the date of the report.

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- b) Quarterly report on transactions undertaken during the period of report including date of transaction and details of purchases and sales.
- c) Quarterly report on beneficial interest received during the period of report in respect of interest, dividend, bonus shares, rights shares and debentures.
- d) Quarterly report on expenses incurred in managing the portfolio.
- e) Details of risk foreseen by “BPL” and the risk related to the Securities recommended by “BPL” for investment as and when such risk arises.
- f) “BPL” shall, ordinarily purchase or sell securities and/or Mutual Funds separately for each Client. However, in the event of aggregation of purchases or sales for economy of scale, allocation shall be done on a pro-rata basis at the weighted average price of the day’s transactions. “BPL” shall not keep any open position in respect of allocation of sales or purchases affected in a day. Weighted Average Price shall be total amount (gross buy or gross sell) divided by total quantity (gross buy or gross sell). (See illustration at page 15)

## **7. DUTIES AND OBLIGATIONS OF THE CLIENT**

- 7.01 The client shall maintain utmost secrecy with regard to investment made by “BPL” on its behalf. In no case shall the Client replicate for its or for the benefits of others, the investments made by “BPL”.
- 7.02 The Client shall express in writing areas of investment and restrictions, if any with regard to investment in a particular industry or company. The Client shall disclose to “BPL” from time to time whether it is privy to price sensitive information in any company, so that a conflict of interest shall not arise where “BPL” wants to buy or sell securities of that company on behalf of the Client.
- 7.03 The Client shall pay the agreed fees at the agreed times to “BPL” in the manner as hereinafter provided.
- 7.04 The Client shall not directly dispose off or acquire any Securities held in the portfolio, except as agreed by “BPL”. The Custodian appointed under the Custodian Agreement shall not be authorized to accept instructions directly from the Client. The Client shall not issue any direct instructions to the Custodian or the broker in this respect. In case the Client issues any instructions directly to the Custodian or the broker, “BPL” shall not be responsible for any loss or claim or damage arising there from. In any such case, in respect of any sale, the sale proceeds shall be made over by the Client to “BPL” as part of the investible funds and in case of any purchase, the Client shall make payment directly to the Seller.
- 7.05 The Client shall within seven days notify “BPL” if he notices any discrepancies or shortfalls in the Custodian holding statement. In case the Client does not notify “BPL” of any discrepancies or shortfalls in the Custodian holding statement the same shall be deemed to be correct.
- 7.06 The Client shall plan and pay any tax (long term or short term capital gains, income tax, etc.) and other governmental liabilities that may arise as a consequence of the portfolio transactions on its account. “BPL” shall during its meeting with the Client be available to help the Client plan its tax outflows. However it should be clearly understood that tax considerations shall not be allowed to supersede investment decisions even though “BPL” recognizes the desirability of maximizing post tax returns.
- 7.07 The Client shall render all possible assistance, and provide requisite information for the purpose of assisting “BPL” in determining, evaluating and investing the available funds of the Client. The Client shall also immediately provide to “BPL” any information in respect to the investments or possible investments as may be available with it.

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- 7.08 The Client agrees that the investments made by “BPL” shall be at the sole discretion, judgment and opinion of “BPL”.
- 7.09 The liability of a client shall not exceed his investment with the portfolio manager.
- 7.10 The client may appoint a chartered accountant to audit the books of accounts of “BPL” relating to his transactions and “BPL” shall cooperate with such chartered accountant in course of audit.

## **8. FEES AND BILLING**

- .01 The client hereby agrees to pay fees according to Annexure ‘C’ as consideration for availing of the Portfolio Manager’s services.
- .02 The Portfolio Manager shall have the right to appropriate the amounts payable to it under Clause 8.01 or any other provisions of this agreement from the Assets and the Portfolio Manager may for this purpose sell or otherwise liquidate the Portfolio or any part thereof. The Portfolio Manager shall have a right of lien and set-off on the assets for such amount and any right of the Client to withdraw the Assets or any part thereof shall be subject to the Portfolio Manager having first received all such amounts.
- .03 In addition to the fees payable, the Client shall pay to the Portfolio Manager, all costs and expenses of whatsoever nature incurred by the Portfolio Manager in connection with the services, including but not limited to the expenses and cost of custody and safe keeping of all Client Securities and/or Mutual Funds, registration and transfer charges in respect of the Client Securities and/or Mutual Funds, transaction charges, Depository Participant account opening and closing charges, legal charges for recovery/ transfer of securities, broker and other intermediary expenses etc.
- .04 The Client shall pay the Portfolio Management Fees within a period of fifteen days from the date such fees are charged. However, if the Client does not pay fees during the prescribed period the Portfolio Management Fee shall be directly debited to his account.

## **9. RIGHTS OF PORTFOLIO MANAGER**

- 9.1 “BPL” may assign its rights or obligations hereunder to any other company, person, firm or institution acceptable and approved by SEBI by executing an instrument in writing whereby it shall assume the obligations of “BPL” hereunder and agree to be bound by the provisions hereof, or to become the successor to “BPL” hereunder and thereafter such assignee/successor may exercise all of the powers and enjoy all of the rights and be subject to all the duties and obligations of “BPL” hereunder as fully as though originally named as a party to this Agreement before assigning rights to third party for executing an instrument.

## **10. LIABILITY OF THE PORTFOLIO MANAGER**

- 10.01 The Portfolio Manager does not assure any minimum returns. The Portfolio Manager shall not be liable in case of depreciation in the value of Securities in which the Portfolio Manager invests funds. Without prejudice to the provisions of Clause 13 hereunder, the Client acknowledges and agrees that the Portfolio Manager (or its directors, officers, employees, agents, consultants or other representatives) shall not be responsible or liable for any direct, indirect, incidental, consequential, special, exemplary, punitive or any other damages (including loss of profits, loss of goodwill, business interruption etc.) for any error of judgment, mistake or for any loss suffered by the Client in connection with the Services or in respect of any matter to which the Agreement relates unless such damage or loss is finally judicially determined to have resulted primarily from the willful misfeasance and bad faith of the Portfolio Manager. The Portfolio Manager shall not be liable for any loss, which may arise if it is prevented from discharging its obligations due to the occurrence of an event of Force Majeure (as defined in Clause 18).
- 10.02 The Portfolio Manager shall exercise due care and diligence in appointment of intermediaries but shall not be responsible or liable in any manner whatsoever, for any negligence, lapse or any act of
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commission or omission on the part of the Intermediaries in carrying out their duties or any instructions issued by the Portfolio Manager and any loss due to above shall be borne by the Client.

10.03 The Portfolio Managers' decision (taken in good faith) in deployment of the Clients' amount is absolute and final and cannot be called in question or be open to review at any time during the currency of the agreement or any time thereafter except on the ground of malafide, fraud conflict of interest or gross negligence.

## 11. CONFIDENTIALITY

11.01 Neither party hereto shall during the continuance of this Agreement or after its termination disclose to any person, firm, company or institution whatsoever (except with the authority of other party or except as required by the laws, or unless ordered to do so by a court of competent jurisdiction or any relevant regulatory authority) any information relating to the business, investments, finances or other matters of a confidential nature of any other party of which it may in the course of its duties hereunder or otherwise become possessed and each party shall use all reasonable endeavors to prevent any such disclosure as aforesaid.

## 12. COMMUNICATION AND NOTICES

12.01 All notices or communications issued under this Agreement shall be served in any one or more or all of the following ways under (a) to (l) below and such notice or communication shall be served at the ordinary business address and/or ordinary place of residence and/or last known address of the party in any one or more of the following ways (a) by post, (b) by registered post, (c) Under certificate of posting, (d) by express delivery or post, (e) by telegram, (f) by affixing it on door at the last known business or residential address (g) by oral communication to the party or on the last known telephone number or on the recording machine of such number, (h) by advertising it in at least one prominent newspaper having circulation in the area where last known business or residential address of the client is situated, (i) by sending a message through trading system, (j) by a notice posted on the notice board of the exchange if no address be known, (k) by email or fax, (l) by hand delivery

12.02 Any communication sent by "BPL" to the Client shall be deemed to have been properly delivered or served even if such communication is returned to BPL as unclaimed/refused/undelivered, if the same is sent to the ordinary business address and/or ordinary place of residence and/or last known address of the party, in any one or more of ways as mentioned in clause 12.01 above.

### Address:

i. In the case of notices to the Portfolio Manager;

Bonanza Portfolio Ltd.,  
Plot No. M-2, Walbhat Road,  
Cama Industrial Estate,  
Goregaon (E), Mumbai – 400 063.

ii. In case of notices to the Client;

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

Attn: \_\_\_\_\_

E-mail: \_\_\_\_\_

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⊗ **13. INDEMNITY**

13.01 The Client agrees to indemnify and to keep the Portfolio Manager indemnified against all losses, damages, payments, cost, charges, expenses, stamp duties or any taxes etc. that may be or required to be suffered, incurred, levied, made, paid by the Portfolio Manager as a result of any sale of Securities transferable by executing an instrument or if the transfer is held to be invalid on account of bad delivery, by an appropriate authority or company or any other act of the relevant Stock Exchange or any other regulatory body or any Court or Tribunal or otherwise.

13.02 On the determination of this Agreement the Client authorizes the Portfolio Manager to deduct from the Client's Bank Account (a) fees payable under the Agreement; (b) brokerage charges payable by the Client to the Portfolio Manager either in respect of transaction relating to the Agreement or otherwise; (c) all amounts and dues payable by the Client to the Portfolio Manager or any of its agents, custodian under or in respect of all transactions undertaken by the Portfolio Manager on behalf of the Client and (d) any further corporate benefit claims arising out of transactions done pursuant to this Agreement. The Client will be liable for payment of shortfall if any.

13.03 The provisions of this Clause shall survive till termination or expiry of this Agreement.

**14. ENTIRE AGREEMENT**

14.01 This Agreement together with all Annexure attached hereto and executed by the parties hereto constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes and cancels all previous agreements negotiations thereof.

14.02 This Agreement and Annexure shall not be changed, altered or amended save and except in writing and executed by duly authorized representatives of both parties hereto

**15. WAIVER**

15.01 No provision of and no default under this Agreement may be waived except by an instrument in writing signed by the party waiving the provision of this agreement or default committed there under. No waiver of any provision or default shall be deemed a waiver of any other provision or default.

**16. JUDICIAL REMEDY :**

16.01 The parties hereto agree that in the event of dispute under this Agreement by either part, the other party will be entitled to judicial remedy in addition to the Arbitration under this Agreement.

16.02 In the event of breach of this Agreement by any party, the party suffering the breach will be entitled to an order of specific performance only.

**17. GOVERNMENT OF INDIA/RESERVE BANK OF INDIA APPROVAL**

17.01 This Agreement shall be subject to obtaining necessary approvals from the appropriate Government and Regulatory Authorities wherever required. In the event that one of the parties is required to obtain the necessary approvals or validation or to file a notification with the Indian Government in connection with this Agreement, the other party shall co-operate fully with such other party.

**18. FORCE MAJEURE :**

18.01 "BPL" shall not be responsible for any losses, costs or damages resulting directly or indirectly from any action, omission, decision or ruling of any exchange or regulator, governmental or other body or of any other person which is beyond "BPL"'s Control.

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18.02 Except to the extent otherwise provided herein, no liability shall result to either Party from delay in performance or from non-performance caused by circumstances beyond the control of the party affected, including but not limited to act of God, fire, flood, explosion, war, theft action or request of governmental authority, accident, labour trouble or shortage, inability to obtain material, power, equipment or transportation, but each of the parties hereto shall be diligent in attempting to remove such cause or causes.

18.03 The above Force Majeure events do not exempt the Client to fulfill the obligations in his account with "BPL"

## **19. RISKS INVOLVED**

19.01 It is expressly stated and understood by and between the Parties that the nature of the Services provided herein carry certain risks and the Client has entered into this Agreement with full knowledge of such associated risks. The Client clearly understands that investments in securities and/or Mutual Funds entails a high degree of risk and there can be no assurance by the Portfolio Manager about minimum returns thereon or even as regards preservation of capital. Risk may arise from the investment objective and the investment policy. These risks are inherent in this business. A list illustrating some of the associated risks is attached hereto and marked as Annexure B.

## **20. NON EXCLUSIVE RELATIONSHIP**

20.01 The Client acknowledges and agrees that BPL may act as an investment adviser to other clients and receive fees for such services. The advice given and the actions taken with respect to such clients and BPL's own account may differ from advice given or the timing and nature of action taken with respect to the Client's account. The Client further recognizes that transactions in a specific security may not be accomplished for all clients' accounts at the same time or at the same price. The Client also acknowledges that in managing the Account, BPL may purchase or sell securities in which BPL, its officers, directors, or employees, directly or indirectly, have or may acquire a position or interest.

## **21. ENGLISH LANGUAGE**

21.01 This Agreement is written in English in two counter parts, each of which is deemed to be an original

## **22. AMENDMENT**

22.01 No modification or amendment of this Agreement shall be valid or binding unless made in writing and duly executed by the parties hereto.

## **23. TERMS AND TERMINATION**

23.01 The Client's fund shall be placed with "BPL" for a minimum period of twelve months. On completion of each period (from the date of this Agreement), this Agreement shall automatically renewed for a further period of twelve months unless otherwise intimated by the Client or "BPL" to the other in writing of its intention of non-renewal at least 30 days before the completion of the Agreement period. "BPL" reserves the right to terminate this agreement with immediate effect in case the Client does not pay any fees as required to be paid by it to "BPL" in terms of this Agreement or if the Client commits a breach of any of its obligations under this Agreement. Provided that "BPL" may in its discretion instead of terminating this Agreement with immediate effect, may terminate it, if after notice of at least fifteen days, the client does not remedy the breach.

23.02 The Portfolio Manager may terminate this Agreement at any time before the expiry of the Term

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upon providing a minimum notice of 15 (fifteen) days to the Client.

23.03 The Client may terminate this Agreement at any time before the expiry of the Term by giving 30 days notice of termination to the Portfolio Manager.

23.04 Notwithstanding anything contained in this Agreement the Client shall also be entitled to terminate this Agreement forthwith in the following circumstances:

- i. Suspension or cancellation of the certificate of registration of the Portfolio Manager by SEBI;
- ii. Bankruptcy or liquidation of the Portfolio Manager.

23.05 In the event of death of the Client or the Client becoming insolvent or of unsound mind, the successor / nominee of the Client should indicate his/her/their decision to terminate this Agreement within 30 days of the occurrence of the event, failing which the Portfolio Manager shall continue to operate the account and act in accordance with the Power of Attorney granted by the Client and charge all fees, expenses etc. which shall be debited / charged from the Bank Account. The successor / nominee shall be liable for all the duties and obligations in the same manner and to the same extent as the Client would have been pursuant to this Agreement, if not for the occurrence of the aforementioned event(s).

23.06 This Agreement shall automatically stand terminated if an Event of Force Majeure (as defined in Clause 18) continues for a period of 30 (thirty) days from the date of notification of the Event of Force Majeure by one Party to the other.

23.07 On termination of this Agreement the Client may elect to receive the Securities and/or Mutual Funds held in the portfolio, or it can opt for sale of all securities and/or Mutual Funds for cash. In either case, the Client shall pay to "BPL" its fees, costs and dues payable under this Agreement and "BPL" shall have the right of lien on any and all Securities and/or Mutual Funds in respect thereof.

#### **24. WITHDRAWAL AND ADDITIONS.**

24.01 The Client has an option to withdraw funds during the tenure of this Agreement; provided that the NAV does not fall below the minimum initial amount.

24.02 The Client shall give a notice of at least 10 days for such a withdrawal of funds.

24.03 The Client can bring additional funds and or securities any time during the tenure of this agreement.

24.04 Such an withdrawal or addition shall be evidenced by exchange of letters of intention from the Client and it's acceptance by "BPL"

#### **25. ARBITRATION**

25.01 In case of any dispute or difference between the parties hereto, the same shall be referred to arbitration in accordance with the Arbitration and Conciliation Act, 1996 and its Rules. Each party shall appoint one arbitrator and the two appointed arbitrators shall appoint a third arbitrator who shall act as the presiding arbitrator. The venue for conducting arbitration proceedings shall be Mumbai, India. The decision of the arbitrators shall be final and binding on the parties.

#### **26. GOVERNING LAW**

26.01 This Agreement shall be governed by the laws of India and the courts of Mumbai shall have exclusive jurisdiction

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⊗ **27. COUNTERPARTS**

27.1 This Agreement may be signed in two counterparts each party retaining one and shall be deemed to constitute one and the same document.

**28 RELATIONSHIP**

Nothing contained in this Agreement shall constitute a partnership between the Parties or authorize any Party to act as an agent of the other except to the extent specifically agreed in writing.

**29 ASSIGNMENT**

The Client shall not assign, transfer, and sell its right and obligations under this Agreement without the written consent of Portfolio Manager. However, any change in the constitution of the Client or on account of merger or acquisition or pursuant to corporate restructuring, same shall not constitute assignment. Portfolio Manager may assign this Agreement or the obligations to any third party, provided that such Party assumes the obligation of portfolio manager under this agreement.

**30 CUMULATIVE RIGHTS**

All remedies of the Parties under this Agreement, whether provided herein or conferred by statute, contract, civil law, common law, custom, trade, or usage, are cumulative and not alternative and may be enforced successively or concurrently.

**31 GENERAL COMPLIANCE AND FURTHER ACTS**

The Parties hereto agree that they shall, in the performance of this Agreement, comply with all legal and regulatory requirements as may be applicable from time to time. Each of the Parties hereto undertakes to execute, do and take all such steps as may be in their respective powers to execute, do and take or procure to be executed, taken or done and to execute all such further documents, agreements and deeds and do all further acts, deeds, matters and things as may be required to give effect to the provisions of this Agreement.

Signed for and on behalf of

<b>Client – Name and Signature</b>	<b>Witness– Name, address and signature</b>
Signature ⊗	Signature ⊗
Name	Name

<b>For Bonanza Portfolio Ltd.</b>	Witness – Name, address and signature
	Signature
	Name
<b>Authorized Signatory</b>	

⊗ 1) Illustration for understanding of Net Asset Value (NAV)

PARICULARS	PARTICULARS	RUPEES	RUPEES
<b>EQUITY</b>	RIL 5000 SHARES @ MKT RATE RS400/-	2,000,000	
	TISCO 1000 NOS MKT RATE RS300/-	300,000	2,300,000
<b>MUTUAL FUNDS</b>	UTI THEMATIC PSU 1000 UNITS NAV RS 7/-	7,000	7,000
<b>CASH</b>			55,000
<b>ACRUED EXPENSES</b>	DEPOSITORY CHARGES	5,000	(5,000)
<b>NET ASSET VALUE</b>			2,357,000

*(Disclaimer: The above example is only an illustration for purpose of understanding the calculation of NAV and does not partake characteristic of actual NAV.)*

2) Illustration for understanding the basis of calculation of Portfolio Management Fee .

Initial amount of funds deposited for Portfolio Management Activity by Mr. X Rs.2,000,000/-

**End of Quarter 1:** Take the value of above Portfolio i.e. Rs. 2,357,000/- as NAV after the completion of quarter 1 after entering into agreement. The Portfolio Management Fee is charged @15% of return on quarterly basis is Rs.53,550  $[(2,357,000 - 2,000,000) \times 0.15]$ .

**End of Quarter 2:** Suppose after the completion of quarter 2 the Value of the Portfolio becomes 2,600,000. Portfolio Management Fee charged will be Rs. 36450  $[(2,600,000 - 2,357,000) \times 0.15]$

**End of Quarter 3:** Suppose at the end of quarter 3 the NAV of the Portfolio is Rs. 2,500,000, then no Portfolio Management Fee will be charged as the NAV is diminished. Thus Rs. 2,600,000 will serve as an Benchmark NAV for a period of 12 months from the end of quarter 2.

**End of Quarter 4:** The Portfolio Management Fee will be charged only if the NAV at end of quarter 4 exceeds Rs 2,600,000.

*Disclaimer: The above example is only an illustration for purpose of understanding the calculation of Portfolio Management Fee and does not partake characteristic of actual calculation.*

3) Illustration for understanding the effect of additions/withdrawals, to/from funds deployed for Portfolio Management Service.

Date	Particulars	Amount (Rs.)	Benchmark NAV
<b>01/01/2003</b>	Initial funds	1,000,000	
<b>31/03/2003</b>	NAV Qtr 1	1,200,000	1,200,000

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<b>Portfolio Management Fee = (1,200,000-1,000,000)* 15%= Rs.30,000/-</b>			
<b>30/06/2003</b>	NAV Qtr 2	1,000,000	1,200,000
<b>As Current NAV is less than the Benchmark NAV, Portfolio Management Fee will not be charged</b>			
<b>01/07/2003</b>	Additional Funds	1,000,000	2,200,000* *1,000,000+1,200,000
<b>01/07/2003</b>	NAV	2,000,000	2,200,000
<b>30/09/2003</b>	NAV Qtr 3	2,100,000	2,200,000
<b>As Current NAV is less than the Benchmark NAV, Portfolio Management Fee will not be charged</b>			
<b>01/10/2003</b>	Funds Withdrawal	500,000	
<b>01/10/2003</b>	NAV	1,600,000	1,700,000* *2,200,000-500,000
<b>31/12/2003</b>	NAV Qtr4	2,000,000	1,700,000
<b>Portfolio Management Fee = (2,000,000-1,700,000)* 15% = Rs.45,000/-</b>			

*Disclaimer: The above example is only an illustration for purpose of understanding the calculation of Portfolio management Fee and does not partake characteristic of actual calculation.*

### 3) Illustration for Calculation of Weighted Average Price

Transactions in the nature of aggregation for economy of scale

Sr No	Transaction & Script	Qty	Rate (Rs)	Total (Rs)
1	Bought Reliance	1000	400	400000
2	Bought Reliance	2000	402	804000
3	Bought Reliance	2500	405	1012500
	<b>Total (Rs)</b>	<b>5500</b>	<b>403*</b>	<b>2216500</b>

\*Weighted Average Price = 2216500/5500 (total amount/total qty)

*Disclaimer: The above example is only an illustration for purpose of understanding the calculation of Weighted Average Price and does not partake characteristic of actual calculation.*

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**LIST OF SECURITIES AND/OR MUTUAL FUNDS**

**In dematerialized form;**

No.	Type of Securities and/or Mutual Funds	Numbers Held	Issuing Entity	Total NAV on Effective Date. (Rs.)
			Aggregate NAV (Rs)	

**In Physical form;**

No.	Type of Securities and/or Mutual Funds	Numbers Held	Issuing Entity	Total NAV on Effective Date. (Rs.)
			Aggregate NAV (Rs)	

The Client shall transfer the aforesaid Client Securities and/or Mutual Funds into his Account as on Effective Date.

**RISKS** [Pursuant to Clause 19]

The following is an indicative list of some of the risks associated with the Portfolio Management Services;

- i. Securities and/or Mutual Funds investments are subject to market and other risks and consequently, the Portfolio Manager makes no guarantee or assurance that the objectives set out in the Agreement shall be accomplished.
- ii. The value of the Portfolio may increase or decrease depending upon various market forces and factors affecting the Capital Markets such as de-listing of Securities, market closure, relatively small number of scrips accounting for large proportion of trading volume. Consequently, the Portfolio Manager makes no assurance of any guaranteed returns on the Portfolio.
- iii. Past performance of the Portfolio Manager does not guarantee the future performance of the same.
- iv. The Client stands a risk of loss due to lack of adequate external systems for transferring, pricing, accounting and safekeeping or record keeping of Securities. Transfer risk may arise due to the process involved in registering the shares, physical and demat, while price risk may arise on account of availability of share price from Stock Exchanges during the day and at the close of the day.
- v. **Equity, Mutual Funds and Related Risks:** Equity and/or Mutual Funds instruments carry both company specific and market risks and hence no assurance of returns can be made for these investments. While the Portfolio Manager shall take all reasonable steps to invest the funds in a prudent manner in such instruments, such decisions shall not always prove to be profitable or correct. Consequently, the Client shall assume any loss arising from such decisions.
- vi. **Macro-Economic risks:** Overall economic slowdown, unanticipated corporate performance, environmental or political problems, changes to monetary or fiscal policies, changes in government policies and regulations with regard to industry and exports may have direct or indirect impact on the investments, and consequently the growth of the Portfolio.
- vii. **Liquidity Risk:** Liquidity of investments in equity and equity related securities are often restricted by factors such as trading volumes, settlement periods and transfer procedures. If a particular security does not have a market at the time of sell, then the strategy may have to bear an impact depending on its exposure to that particular security. While Securities that are listed on a Stock Exchange generally carry a lower liquidity risk, the ability to sell these investments is limited by overall trading volume on the Stock Exchange. Money market securities, while fairly liquid, lack a well developed secondary market, which may restrict the selling ability of such securities thereby resulting in a loss to the Portfolio until such securities are finally sold.
- viii. **Credit Risk:** Debt securities are subject to the risk of the issuer's inability to meet the principal and interest payments on the obligations and may also be subject to the price volatility due to such factors as interest sensitivity, market perception, or the credit



worthiness of the issuer and general market risk.

- ix. **Interest Rate Risk:** is associated with movements in interest rates, which depend on various factors such as government borrowing, inflation, economic performance etc. The value of investments will appreciate/depreciate if the interest rates fall/rise. Fixed income investments are subject to the risk of interest rate fluctuations, which may accordingly increase or decrease the rate of return thereon.
- x. Acts of State, or sovereign action, acts of nature, acts of war, civil disturbance.
- xi. The Client stands the risk of total loss of value of an asset which forms part of the Portfolio or its recovery only through an expensive legal process due to factors which by way of illustration include default or non performance of a third party, company's refusal to register a Security due to legal stay or otherwise, disputes raised by third parties.
- xii. **Derivative Risks:** The derivatives will entail a counter party risk to the extent of amount that can become due from the party. The cost of hedge can be higher than adverse impact of market movements. An exposure to derivatives in excess of hedging requirements can lead to losses. An exposure to derivatives can also limit the profits from a genuine investment transaction. Efficiency of a derivatives market depends on the development of a liquid and efficient market for underlying securities and also on the suitable and acceptable benchmarks.
- xiii. **Reinvestment Risk:** This risk arises from the uncertainty in the rate at which cash flows from an investment may be reinvested. This is because the bond will pay coupons, which will have to be reinvested. The rate at which the coupons will be reinvested will depend upon prevailing market rates at the time the coupons are received.
- xiv. **Non-Diversification Risk:** The risk arises when the portfolio is not sufficiently diversified by investing in a wide variety of instruments.
- xv. **Mutual Funds Risk:** This risk arises from investing in units of Mutual funds. Risk factors inherent to equities and debt securities are also applicable to investments in mutual funds units. In addition, events like change in fund manager of the scheme, take over and mergers of mutual funds, foreclosure of schemes or plans, change in government policies could affect performance of the investment in mutual funds units.



**FEE SCHEDULE**

The fees payable by the Client shall be as follows.

Performance fees will be charged on High Watermark basis as per SEBI Guidelines\*\*

**Bonanza Pragmatic Shariah Strategy**

<b>Brokerage</b>	Brokerage @ 0.30% on equity transactions. STT and all other statutory charges will be charged additionally.
<b>Performance Fees</b>	<ul style="list-style-type: none"> <li>• Performance Fees will be charged on half yearly or on pro-rata basis ending 30th September and 31st March.</li> <li>• Fees will be charged on High water mark system as advised by SEBI.</li> <li>• Fees Calculation : <ol style="list-style-type: none"> <li>1. If Annualised profit is upto 20%, then 10% performance fees will be charged on profit.</li> <li>2. If Annualised Profit is above 20%, then on profit upto 20%, 10% performance fees will be charged on profit and on the balance 15% performance fees will be charged.</li> </ol> </li> </ul>
<b>Minimum Investment</b>	Rs.5 lakh
<b>Exit Load</b>	0.50% if PMS Agreement terminated within 6 months.

**NOTE:** Performance fees will be charged on High Watermark basis as per SEBI Guidelines.

I /We, hereby would like to avail of the following option, in consideration for availing of the Portfolio Management Services.

.....  
 (Please write in your own handwriting that you have understood the fee structure and other terms and condition.)

⊗ **Annexure D**

**Illustration for Fees and Charges**

This computation is for illustrative purpose only. Portfolio Managers may suitably modify this to reflect their fees and charges.

The assumptions for the illustration are as follows:

- a) Size of sample portfolio: Rs.5 Lacs over.
- b) Period: One Year.
- c) Management fee: Nil.
- d) Performance fee:
  - a) If Annualised profit is upto 20%, then 10% performance fees will be charged on profit.
  - b) If Annualised Profit is above 20%, then on profit upto 20%, 10% performance fees will be charged on profit and on the balance, 15% performance fees will be charged.
- e) The frequency of calculating fees of Bonanza Pragmatic Shariah Strategy is Half Yearly.

**Portfolio Performance: upto 20% Gain**

Nature of Fees	Amount in Rupees	Amount in Rupees
Capital Contribution	500,000	600,000
Asset Under Management	500,000	
<b>Add:</b> Profit on investment during the One Year @ 20% on AUM	100,000	
Gross Value of the Portfolio at the end of the One Year		
<b>Less:</b> Performance Fees @ 10% on profit	10,000	10,000
<b>Less:</b> Fixed Management Fees**	-	
Total Charges during the One Year		10,000
Net Value of the portfolio at the end of the Year		<b>590,000</b>
% change over capital contributed		<b>18.00%</b>

**Calculation of performance Fees for above 20%**

Nature of Fees	Amount in Rupees	Amount in Rupees
Capital Contribution	500,000	625,000
Asset Under Management	500,000	
<b>Add:</b> Profit on investment during the One Year @ 25% on AUM	125,000	
Gross Value of the Portfolio at the end of the One Year		
<b>Less:</b> Performance Fees @ 10% on profit of upto 20%	10,000	13,750
<b>Less:</b> Performance Fees @ 15% on profit of above 20%	3,750	
<b>Less:</b> Fixed Management Fees**	-	13,750
Total Charges during the One Year		
Net Value of the portfolio at the end of the Year		<b>611,250</b>
% change over capital contributed		<b>22.25%</b>

⊗ **Portfolio performance: Loss of 20%**

Nature of Fees	Amount in Rupees	Amount in Rupees
Capital Contribution	500,000	400,000
Asset Under Management	500,000	
<b>Less:</b> Loss on investment during the One Year @ 20% on AUM	100,000	
Gross Value of the Portfolio at the end of the One Year		
<b>Less:</b> Performance Fees @ 10% on profit	-	
<b>Less:</b> Fixed Management Fees**	-	
Total Charges during the One Year		-
Net Value of the portfolio at the end of the Year		<b>400,000</b>
% change over capital contributed		<b>(20%)</b>

**Charges on Portfolio Performance: No change**

Nature of Fees	Amount in Rupees	Amount in Rupees
Capital Contribution	500,000	500,000
Asset Under Management	500,000	
<b>Add:</b> Profits/Losses on investment during the One Year @ 0% on AUM	-	
Gross Value of the Portfolio at the end of the One Year		
<b>Less:</b> Performance Fees @15% on profit	-	
<b>Less:</b> Fixed Management Fees**	-	
Total Charges during the One Year		-
Net Value of the portfolio at the end of the Year		<b>500,000</b>
% change over capital contributed		<b>0.00%</b>