



KARVY III
CAPITAL

Demeter-The Debt PMS

SEBI Registration No. : INP000004524
Portfolio Manager : Karvy Capital Limited

Karvy Group

- Incorporated in 1982 with its flagship company “Karvy Consultants Limited”
- Initially started with Consulting and Financial Accounting Automation, and carved inroads into the field of Corporate Shareholder Servicing
- Built a reputation as an integrated financial service provider, offering a wide spectrum of services for over 25 years
- Nation wide presence with over 400 offices in over 300 cities, with close to 10,000 personnel across the country, adding 625 employees a year from 2000 -2015
- Provides indirect employment to about 15000 Business Associates across India

About Karvy Group

Karvy Stock Broking Ltd

Karvy Comtrade Ltd.

Karvy Computershare
(P) Ltd.

Karvy Realty (India) Ltd.

Karvy Investor Services
Ltd.



Karvy Financial Services
Ltd.

Karvy Global Services
Ltd.

Karvy Data Management
Services Ltd.

Karvy Capital Ltd.

Karvy Consultants Ltd.



Demeter– The Debt PMS

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Yield Enhancers – High Yield*Debt, Preference Shares

- India is a high interest rate country and will remain so even after expected monetary loosening over next 1-3 years.
- Structured high yield enhancers are the next stage in the evolution of private equity investing.
- Instruments such as high yield enhancers generate regular cash flows and the exit is at a pre-determined IRR.
- High yield enhancers also work with strong collateral (real estate assets and/or pledge of an equity stake and/or intangible assets), offering a recourse in the event of default.
- Preferential capital of quality profit making companies which give high tax free dividend is also a type of yield enhancer.

*all yields are pre tax

Structuring

Structured debt (non-real estate)

- Offered to profitable, high growth companies with good potential ROCE (Return on Capital Employed) – against collateral of an equity stake or intangible/tangible assets in the company
- End use: alternative to venture capital funding, equity like end use, however with regular servicing of coupon

Securitized Debt

- Generally available as pass through certificate (PTC) issued on the basis of a pool of underlying loans to SMEs, microfinance, vehicle loans etc.

What is Demeter?

Introduction:

Demeter is the Debt PMS. Demeter Portfolio is designed for investors seeking income and capital appreciation from their asset allocation.

Investment Objective:

The investment objective is to diversify risk across sectors and instruments. It will help spread the clients investment across many papers where by reducing the concentration risk.

Investment Horizon & Risk Return Profile:

Demeter Portfolio is recommended for investors seeking to hold a debt portfolio with moderate to high risk appetite expecting a moderate return over a long term horizon.



RISK

Why is Demeter Unique?

Indian Debt Market

- Limited set of choices on the front of debt, especially on the credit side – corporate FDs, NCDs of NBFCs and a few select credit mutual funds.
- Typical returns of debt instruments have peaked at 14% in the last few years, despite an overall high interest rate environment.
- There have been hardly any products for the moderate risk-taking and discerning investors on the higher yield side.

Asset Allocation

Demeter is a high yield enhancing portfolio and may combine the following instruments in any combination:

- Non Convertible Debentures- High yield debt (pre tax)
- Preference Capital- Post tax yield (Ideal for investors in the highest marginal tax bracket)
- Pass Through Certificates- Securitized debt or interest in residual equity tranche
- Corporate bonds
- Commercial Paper (CP)
- Tax free bonds



Demeter Strategy

- Base case strategy is to buy and hold the high yield debt instruments.
- Rebalance portfolios as more instruments are purchased /sold, so as to mitigate the risk by diversification.
- Fund manager will keep exploring opportunities across sectors, maturity buckets and yields to balance the portfolio.



Key Points

- Inception Date: 1st July, 2014
- Fund Manager: Mr. Phani Sekhar Ponangi, CFA, CAIA
- Benchmark: S&P BSE India Corporate Bond Index
- Available Plans / Options: a) Payout b) Reinvestment
- Product Type: Open Ended
- Interest Payout Frequency: Quarterly
- Minimum Investment Amount: Rs. 25,00,000/-
- Ideal Investment Horizon: 3 Years +
- AUM (As on 30th Sept, 2016): 171.47 Crores



Demeter – Advantage

Fund deployment within 90 days of account activation.

In the event of non deployment of at least 90% of the portfolio within 90 days of activation in high yield* issues, clients have an option of redeeming the Demeter account while being entitled to

- I. 100% refund of setup/placement fees.
- II. 100% waiver of management fees.
- III. 100% waiver of exit load.

* High yield investments include NCD, Pref Cap , PTC, Corporate bonds and Commercial Paper

Comparative Analysis

Points	Demeter	Debt – Mutual Funds	Fixed Deposits
Liquidity	Available*	Available*	Not Available
Returns	High	Low as compared to Demeter	Low
Diversification	Will hold instruments of various industries and maturities.	Generally the instruments will be restricted to certain specific nature depending on the mandate.	No diversification
Instruments	Robust combination of various instruments	Limited to Government Securities and Corporate Bonds	N. A.
Payout	Provides Quarterly Payout	Returns impacted because of Payout Option.	Not Available

*subject to exit load

Phani Sekhar Ponangi, CFA, CAIA , Fund Manager

- Phani Sekhar is a Fund Manager with a strong reputation for identifying fundamentally strong businesses.
- He has been involved with the Indian capital markets for 12 years now with experience both on the sell side and the buy side in Equity and Debt markets.
- Phani Sekhar holds the CFA (Chartered Financial Analyst) charter awarded by the CFA Institute, USA and the CAIA (Chartered Alternate Investment Analyst) charter from the CAIA Association, USA. He also holds a postgraduate degree in Management (MBA) and is an Engineer by training (BE – Mech Engg).

Kedar Deshpande, Director

- Kedar heads the Karvy Capital business. He has over 19 years of wide-ranging retail broking and market research experience and has been the founder director of Repeat Purchase India Pvt. Ltd., an ecommerce company and COS and Financial Catalysts Private Limited for imparting training for retail BFSI sector.
- Prior to Karvy Capital, Kedar was the country head for Karvy Stock Broking business. Before Karvy. Kedar was associated with ICICI group for period of 7 years where he headed the retail broking business, commodities segment, retail demat business. Kedar also had set up the retail broking business at Edelweiss Financial Services Ltd. and played a key role in designing website to give clients simplified execution.

Fee Structure

Fee Structure*			
Fees	Charges*	Frequency	Base
Fixed Management Fee	1.50% per annum	Quarterly/ Monthly (as agreed with client)	Daily Average Net Asset Value of the Portfolio (inclusive of all securities and cash/bank balance)
Placement Fees	Up to 2.5%	On each corpus infusion	Corpus
Exit Load	3% in Year 1, 2% in Year 2, 1% in Year 3 and NIL thereafter	On Exit	Net Asset Value of the Portfolio (inclusive of all securities and cash/bank balance)

For Other charges levied on actuals, for details refer the RDD.

* These charges are stated as an example. Actual charges will be levied as per agreement between client and portfolio manager at time of opting for PMS

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Karvy Capital Limited

702, Hallmark Business Plaza, Sant Dnyaneshwar Marg, Bandra (East),
Mumbai 400 051 T: +91 22 33055000 | F: +91 22 33055033 | Email:

Compliance Officer: Ms Punita Sood, Contact No.: +91 22 6149 1678, Email:

punita.sood@karvy.com, [IG Email: karvycapitalpmsg@karvy.com](mailto:karvycapitalpmsg@karvy.com)

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Thank You!!