

## **LOTUS INDIA MUTUAL FUND**

### **OFFER DOCUMENT**

#### **Lotus India Monthly Interval Fund**

Debt oriented Interval Scheme

Issue of Units at Rs. 10 per Unit for cash plus applicable entry load during the New Fund Offer and at the Applicable NAV plus applicable entry load thereafter

New Fund Offer opens: \_\_\_\_\_

New Fund Offer closes: \_\_\_\_\_

#### **Sponsor: Alexandra Fund Management Pte Ltd**

Regd. Office: 60B Orchard Road, #06-18 Tower 2, The Atrium@Orchard, Singapore 238891

#### **Trustee: Lotus India Trustee Company Private Limited**

Regd. Office: 6th floor, Chandermukhi, Nariman Point, Mumbai 400 021

#### **Investment Manager: Lotus India Asset Management Company Private Limited**

(A joint venture between Fullerton Fund Management Group and Sabre Capital Worldwide)

Regd. Office: 6th floor, Chandermukhi, Nariman Point, Mumbai 400 021

This Offer Document sets forth concisely the information about the Scheme that a prospective investor ought to know before investing. Investors should read the Offer Document carefully prior to making an investment decision and retain the Offer Document for future reference. Investors may note that this Offer Document remains effective until a material change (other than a change in Fundamental Attributes and within the purview of the Offer Document) occurs. Material changes will be filed with the Securities and Exchange Board of India (SEBI) and circulated to all Unit Holders. Investors may also obtain further changes after the date of this Offer Document from the Mutual Fund/its Investor Service Centers or distributors.

The particulars of the Scheme under this Offer Document, have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended till date, and filed with SEBI, and the Units being offered for public subscription have neither been approved or disapproved by SEBI nor has Securities and Exchange Board of India certified the accuracy and adequacy of the Offer Document.

This Offer Document is dated as on November 29, 2007.

[www.lotusindiaamc.com](http://www.lotusindiaamc.com)

## **SPONSOR**

### **Alexandra Fund Management Pte Ltd**

Registered Office:  
60B Orchard Road, #06-18 Tower  
2, The Atrium@Orchard,  
Singapore 238891.

## **TRUSTEE**

### **Lotus India Trustee Company Private Limited**

Registered Office:  
6th floor, Chandermukhi,  
Nariman Point, Mumbai 400 021.

## **ASSET MANAGEMENT COMPANY**

### **Lotus India Asset Management Company Private Limited**

Registered Office:  
6th floor, Chandermukhi,  
Nariman Point, Mumbai 400 021.

## **REGISTRAR AND TRANSFER AGENT**

### **Computer Age Management Services Private Limited**

Registered Office:  
A&B, Lakshmi Bhawan  
609, Anna Salai  
Chennai – 600 006

## **CUSTODIAN**

### **Deutsche Bank AG**

Office:  
Kodak House, 22, Dr. D.N. Road,  
Fort, Mumbai – 400 001

## **AUDITORS TO THE MUTUAL FUND**

Price Waterhouse  
Office:  
222, Veer Savarkar Marg,  
Shivaji Park, Mumbai – 400 028.

## **LEGAL ADVISORS**

### **J. Sagar Associates**

Advocates & Solicitors  
Office:  
Vakils House, 18 Sprott Road,  
Ballard Estate,  
Mumbai – 400 001

## TABLE OF CONTENTS

		<b>Highlights</b>	<b>5</b>
<b>I</b>		Abbreviations and Definitions	7
		Interpretation	12
<b>II</b>		<b>Risk Factors</b>	<b>13</b>
	A	Standard Risk Factors	13
	B	Scheme specific Risk Factors	13
	C	Risk factors associated with securitized debts	14
	D	Risk factors associated with securities lending	19
	E	Risk Factors associated with the use of Derivatives	19
	F	Special considerations	20
<b>III</b>		<b>Due Diligence Certificate</b>	<b>22</b>
<b>IV</b>		<b>Constitution of the Fund</b>	<b>23</b>
	A	The Fund	23
	B	The Sponsor	23
	C	The Trustee Company (The Trustee)	23
		Directors of the Trustee	24
		Rights, Obligations, Responsibilities and Duties of the Trustees under the Trust Deed and the Regulations	26
		Trusteeship Fee	31
		Supervisory Role of Trustees	32
	D	The Asset Management Company	32
		Constitution	32
		Board of Directors of the AMC	33
		Duties and responsibilities of the Asset Management Company	37
		Investment Management Fee	39
		Shareholding Pattern of the AMC	39
		Key Personnel of the AMC and their relevant experience	40
		Fund Manager	45
		Compliance Officer	45
		Investors Relations Officer	45
	E	The Registrar and Transfer Agent	45
	F	The Custodian	45
	G	The Fund Accountant	46
	H	The Auditors	47
	I	The Collection Banks	47
<b>V</b>		<b>Investment Objectives, Investment Strategy, Investment Pattern and Risk Profile and Limitation of the Scheme</b>	<b>48</b>
	A	Lotus India Monthly Interval Fund	48
	B	Fundamental Attributes	55
	C	Borrowing Powers	55
	D	Investment in the Scheme by the AMC, Sponsor or their affiliates	56

	E	Procedure and Recording of Investment Decisions	56
	F	Portfolio Turnover	57
	G	Investment Restrictions	57
	H	Investment of Subscription Money	59
	I	Computation of Net Asset Value	59
	J	Accrual of expenses and income	64
	K	Recording of changes	64
	L	Calculation of NAV	64
	M	Accounting Policies and Standards	65
<b>VI</b>		<b>Load, Fees and Expenses</b>	<b>71</b>
	A	Load Structure of the Scheme	71
	B	Fees and Expenses of the Scheme	72
	C	Condensed Financial Information	75
	D	Borrowing by the Mutual Fund	80
<b>VII</b>		<b>Units and the Offer</b>	<b>81</b>
	A	Units on Offer during the New Fund Offer (NFO)	81
	B	Units on Offer – General Information	81
	C	Purchase of Units	83
	D	Anti-Money Laundering, Know-Your-Customer and Investor Protection	91
	E	Investors’ Personal Information	93
	F	Facilities offered to the investors under the Scheme	93
	G	Redemption of Units	96
	H	Application via electronic mode	99
	I	Suspension of Redemption of Units	100
	J	Right to limit Redemptions	101
<b>VIII</b>		<b>Unit holders’ Rights and Services</b>	<b>102</b>
	A	Unit holders’ Rights	102
	B	Voting Rights of the Unit holders	103
	C	Account Statements and Unit Certificates	103
	D	NAV Information	104
	E	Disclosure of Information under the Regulations	104
	F	Duration of the Scheme	104
	G	Procedure and Manner of Winding up	105
	H	Services to the unit holders	106
	I	History of Investor Complaints	110
<b>IX</b>		<b>Tax Benefits of investing in the Scheme</b>	<b>111</b>
<b>X</b>		<b>Other Matters</b>	<b>116</b>
	A	Transaction with Sponsor/Associates	116
	B	Policy on Investments outside India by the Scheme	116
	C	Dividends and Distributions	116
	D	Inter-Scheme Transfers	117
	E	Disclosure under Regulation 25 (11) of SEBI (Mutual Fund) Regulations, 1996	117
	F	General Information	120

## HIGHLIGHTS

<b>Sponsor</b>	Alexandra Fund Management Pte Ltd					
<b>Name of the Scheme</b>	Lotus India Monthly Interval Fund					
<b>Type of the Scheme</b>	Debt oriented Interval Scheme					
<b>Investment Objective</b>	<p>The objective of the scheme is to seek to generate income by investing in a portfolio of debt and money market instruments.</p> <p>There can be no assurance that the investment objective of the Scheme will be realized.</p>					
<b>Purchase Price during New Fund Offer</b>	Rs. 10/- per unit plus applicable Entry Load					
<b>Plans/Options</b>	Plan A and Plan B. Each plan shall maintain separate portfolio. Each plan offer Growth and Monthly Dividend Reinvestment options.					
<b>Minimum Subscription Amount</b>	Rs. 50 Lakhs under each plan.					
<b>Minimum Application Amount</b>	Rs. 5,000/- per application plus in multiples of Re.1/-					
<b>Minimum Additional Application Amount</b>	Rs. 1,000/- per application plus in multiples of Re.1/-					
<b>Minimum Amount for Redemption</b>	Rs. 5,000/-					
<b>Load Structure</b>	<p>During New Fund Offer and ongoing offer period:</p> <p><b>Entry Load:</b> Nil</p> <p><b>Exit Load:</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">if redeemed on specified transaction period</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>If redeemed on any time other than the specified transaction period</td> <td style="text-align: center;">0.25%</td> </tr> </table>		if redeemed on specified transaction period	Nil	If redeemed on any time other than the specified transaction period	0.25%
if redeemed on specified transaction period	Nil					
If redeemed on any time other than the specified transaction period	0.25%					
<b>Liquidity</b>	The Scheme is an interval scheme and units of each plan of the scheme shall be available for subscription / switch-ins and redemptions / switch-outs (without exit load) on specified transaction period. The first specified transaction date would be the 30 <sup>th</sup> day from the date of					

	<p>allotment. Subsequent specified transaction date would be 30<sup>th</sup> day from the previous specified transaction date. If the specified transaction date falls on a non-business day, the specified transaction date will be the next business day. Further, the Scheme will also offer redemption/switch-out on all business days, other than specified transaction period, at NAV based prices, subject to the applicable exit load.</p>
<b>Transparency</b>	<p>The AMC will calculate and disclose the first NAV of the Scheme within period of 30 days from the closure of the NFO period. Subsequently, NAV will be calculated on a daily basis and shall be published in the newspaper and on the website of the Fund (<a href="http://www.lotusindiaamc.com">www.lotusindiaamc.com</a>) and of the Association of Mutual Fund in India - AMFI (<a href="http://www.amfiindia.com">www.amfiindia.com</a>).</p> <p>The AMC will disclose details of the portfolio of the Scheme every 6 months by either sending a complete statement to all the Unit Holders or by publishing such statement, by way of advertisement, in two daily newspapers.</p>
<b>Benchmark Index</b>	CRISIL Liquid Fund Index

## I. ABBREVIATIONS AND DEFINITIONS

In this Offer Document the following terms will have the meanings indicated there against, unless the context suggests otherwise.

ADRs and GDRs	<p>American Depository Receipts (ADR) is negotiable certificates issued to represent a specified number of shares (or one share) in a foreign stock that is traded on a U.S. exchange. ADRs are denominated in U.S. dollars.</p> <p>Global Depository Receipts (GDR) is negotiable certificates held in the bank of one country representing a specific number of shares of a stock traded on an exchange of another country.</p>
AMFI	Association of Mutual Funds in India.
AOP	Association of Persons.
Asset Management Company, AMC or Investment Manager	Lotus India Asset Management Company Private Limited incorporated under the provisions of the Companies Act, 1956, and approved by SEBI to act as Investment Manager for the Schemes of Lotus India Mutual Fund.
Applicable NAV	The Net Asset Value applicable for Redemptions/Repurchase/switches etc., based on the Business Day and relevant cut-off times on which the application is accepted at the official points of acceptance.
Application Form/Key Information Memorandum	A form meant to be used by an investor to open a Folio and purchase Units in the Scheme.
BOI	Body of Individuals.
Business Day	<p>A day not being:</p> <ol style="list-style-type: none"><li>(1) A Saturday or Sunday;</li><li>(2) A day on which both the Stock Exchanges, Mumbai and the National Stock Exchange of India Limited are closed, whether or not the banks in Mumbai are open;</li><li>(3) A day on which Purchase and Redemption of Units is suspended or a book closure period is announced by the Trustee / AMC; or</li><li>(4) A day on which normal business cannot be transacted due to storms, floods, bandhs, strikes or such other events as the AMC may specify from time to time.</li><li>(5) A day on which banks in Mumbai or Reserve Bank</li></ol>

	<p>of India (RBI) is closed (6) A day on which there is no RBI clearing or settlement of securities.</p> <p>Provided that the days when the banks in any location where the AMC's Investor Service Centres are located, are closed due to a local holiday, such days will be treated as non Business Days at such centres for the purposes of accepting fresh subscriptions. However, if the Investor Service Centre in such locations is open on such local holidays, then redemption and switch requests will be accepted at those centres, provided it is a Business Day for the Scheme on an overall basis.</p> <p>Notwithstanding the above, the AMC reserves the right to change the definition of Business Day and to declare any day as a Business Day or otherwise at any or all ISCs.</p>
Contingent Deferred Sales Charge / CDSC	A charge to the Unit Holder upon exiting (by way of Redemption) based on the period of holding of Units. The Regulations provide that a CDSC may be charged only for a no-Load Scheme and only for the first four years after the Purchase and caps the percentage of NAV that can be charged in each year.
Custodian	Deutsche Bank A G, Mumbai branch registered under the SEBI (Custodian of Securities) Regulations, 1996, currently acting as Custodian to the Scheme or any other custodian who is approved by the Trustee.
Cut-off time	Cut-off timing, in relation to an investor making an application to a mutual fund for sale of units, shall mean the outer limits of timings within a particular day which are relevant for determination of the NAV that is to be applied for his transaction.
Collection Bank(s)	The Bank(s) with which the AMC has entered into an agreement, from time to time, to enable customers to deposit their applications for Units during New Fund Offer.
Depository	Depository as defined in the Depositories Act, 1996.
Designated Collection Centers	<p>During the NFO: ISCs and branches of Collection Bank(s) designated by the AMC where the applications shall be received.</p> <p>During the term of the Scheme: ISCs designated by the AMC where the applications shall be received.</p>

Dividend	Income distributed by Scheme on the Units, where applicable.
Entry Load	A Load charged to an investor on Purchase of Units based on the amount of investment or any other criteria decided by the AMC, from time to time, for meeting the sales, marketing and other such expenses connected with the sales and distribution of the units of the scheme.
EFT	Electronic Funds Transfer
Exit Load	A Load (other than CDSC) charged to the Unit Holder on exiting the Scheme (by way of Redemption) based on period of holding, amount of investment, or any other criteria decided by the AMC.
Foreign Institutional Investors / FII	An entity registered with SEBI under Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 as amended from time to time.
Fund of Funds / FOF	A mutual fund scheme that invests primarily in other schemes of the same mutual fund or other mutual funds.
Fund / Mutual Fund	Lotus India Mutual Fund, a Trust registered under the provisions of Indian Trust Act, 1882 and registered with SEBI under the Securities and Exchange Board of India (Mutual Fund) Regulations, 1996 vide Registration No. MF/052/06/01 dated July 24, 2006.
HUF	Hindu Undivided Family.
Investment Agreement / IMA	The agreement dated April 27, 2006, entered into between Lotus India Trustee Company Private Limited and Lotus India Asset Management Company Private Limited, as amended from time to time.
Investor Service Centre / ISC	Official points of acceptance of transaction / service requests from investors. These will be designated by the AMC from time to time.
Load	A charge that may be levied to an investor at the time of Purchase of Units of the Scheme or to a Unit Holder at the time of Redemption of Units from the Scheme.
LILF	Lotus India Liquid Fund
LITP	Lotus India Tax Plan
LILP	Lotus India Liquid Plus Fund

LIFMP-16M-SrI	Lotus India Fixed Maturity Plan – 16 Months – Series I
LIFMP-15M-SrI	Lotus India Fixed Maturity Plan – 15 Months – Series I
LIFMP-14M-SrI	Lotus India Fixed Maturity Plan – 14 Months – Series I
LIFMP-3M-SrI	Lotus India Fixed Maturity Plan – 3 Months – Series I
LIFMP-3M-SrII	Lotus India Fixed Maturity Plan – 3 Months – Series II
LIFMP-3M-SrIII	Lotus India Fixed Maturity Plan – 3 Months – Series III
LIFMP-3M-SrIV	Lotus India Fixed Maturity Plan – 3 Months – Series IV
LIFMP-3M-SrV	Lotus India Fixed Maturity Plan – 3 Months – Series V
LIFMP-13M-SrI	Lotus India Fixed Maturity Plan – 13 Months – Series I
LIFMP-13M-SrII	Lotus India Fixed Maturity Plan – 13 Months – Series II
LIST	Lotus India Short Term Plan
LICF	Lotus India Contra Fund
New Fund Offer / NFO	The offer for Purchase of Units at the inception of the Scheme, available to the investors during the NFO Period.
Non Resident Indian / NRI	Non Resident Indian as defined in the Foreign Exchange Management Act, 1999
Net Asset Value / NAV	Net Asset Value of the Units of the Scheme (including options there under) calculated in the manner provided in this Offer Document or as may be prescribed by the Regulations from time to time.
Offer Document	This document issued by Lotus India Mutual Fund, offering Units of Lotus India Monthly Interval Fund for subscription. Any modifications to the Offer Document will be made by way of an addendum which will be attached to Offer Documents. On issuance of addendum, the Offer Document will be deemed to be updated by the addendum.
Person of Indian Origin/PIO	'Person of Indian Origin' means a citizen of any country other than Bangladesh or Pakistan, if (a) he at any time held Indian passport; or (b) he or either of his parents or any of his grand parents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955); or (c) the person is a spouse of an Indian

	citizen or a person referred to in sub-clause (a) or (b);
POA	Power of Attorney
Purchase Subscription	Subscription to / Purchase of Units of the Scheme.
Purchase Price	The price (being Applicable NAV plus Entry Load) at which the Units can be purchased and calculated in the manner provided in this Offer Document.
RBI	Reserve Bank of India.
Registrar	Computer Age Management Services Private Limited registered under the SEBI (Registrar to an Issue and Share Transfer Agents) Regulations, 1993, appointed as the registrar and transfer agent for the Scheme, or any other registrar that may be appointed by the AMC.
Redemption	Repurchase of Units by the Scheme from a Unit Holder in the manner provided in the Offer Document.
Redemption Price	The price (being Applicable NAV minus Exit Load / CDSC) at which the Units can be redeemed and calculated in the manner provided in this Offer Document.
RTGS	Real Time Gross Settlement.
Scheme	Lotus India Monthly Interval Fund
SEBI	Securities and Exchange Board of India established under the SEBI Act, 1992.
SEBI Act	Securities and Exchange Board of India Act, 1992.
SEBI Regulations/ Regulations	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time, including by way of circulars or notifications issued by SEBI and the Government of India.
SEFT	Special Electronic Funds Transfer.
Sponsor	Alexandra Fund Management Pte Ltd being the settler of Lotus India Mutual Fund.
Switch	Sale of a Unit in one Scheme / Plan / Option against purchase of a Unit in another Scheme /Plan / Option.

Systematic Investment Plan / SIP	A facility enabling investors to save and invest in the Scheme on a monthly or quarterly basis by submitting post-dated cheques / payment instructions.
Systematic Withdrawal Plan / SWP	A facility enabling Unit Holders to withdraw amounts from the Scheme on a monthly or quarterly basis by giving a single instruction.
Transaction Slip	A form meant to be used by Unit Holders seeking additional Purchase or Redemption of Units in the Scheme, change in bank account details, switch-in or switch-out and such other facilities offered by the AMC and mentioned in Transaction Slips.
Trustee/ Trustee Company	Lotus India Trustee Company Private Limited, a company set up under the Companies Act 1956, to act as the Trustee to Lotus India Mutual Fund.
Trust Deed	The Trust Deed dated April 27, 2006 made by and between the Sponsor and the Trustee, establishing Lotus India Mutual Fund, as amended from time to time.
Trust Fund	Amounts settled / contributed by the Sponsor towards the corpus of Lotus India Mutual Fund and additions / accretions thereto.
Unit	The interest of an investor, which consists of one undivided share in the net assets of the Scheme.
Unit Holder	A person holding Units of the Scheme of Lotus India Mutual Fund offered under this Offer Document.
Valuation Day	Business Day

### **Interpretation**

For all purposes of this Offer Document, except as otherwise expressly provided or unless the context otherwise requires:

- The terms defined in this Offer Document include the plural as well as the singular.
- Pronouns having a masculine or feminine gender shall be deemed to include the other.
- All references to "US\$" refer to United States Dollars, "\$S" refer to Singapore Dollars and "Rs." refer to Indian Rupees. A "Crore" means "ten million" and a "Lakh" means a "hundred thousand".
- References to times of day (i.e. a.m. or p.m.) are to Mumbai (India) times and references to a day are to a calendar day including non Business Day.

## **II. RISK FACTORS**

### **A. Standard Risk Factors**

- Mutual funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Scheme will be achieved.
- As with any investment in securities, the NAV of the Units issued under the Scheme can go up or down depending on the factors and forces affecting the capital markets.
- Past performance of the Sponsor, Mutual Fund, AMC or any associates of the Sponsor / AMC does not indicate the future performance of the Scheme of the Mutual Fund.
- Lotus India Monthly Interval Fund is the name of the Scheme and does not in any manner indicate either the quality of the Scheme or its future prospects and returns.
- The Scheme shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme/Plan(s). The above conditions are required to be complied immediately after the close of the New Fund Offer and at the end of each Specified Transaction Period. In case of non-fulfillment of either of the above two conditions, the investors' money will be refunded immediately after the closure of the new fund offer and/or at the end of each Specified Transaction Period and schemes /plan(s) shall be wound up by following the guidelines laid down by SEBI. In case of the non-fulfillment with the condition of 25% holding by a single investor, the allotment would be effective only to the extent of 25% and the exposure over 25% limit will lead to refund within 6 weeks of the date of the closure of the New Fund offer.

### **B. Scheme Specific Risk Factors**

- The Scheme may not be able to invest in the suitable securities falling within its investment parameters leading the Scheme to hold the monies collected in cash or cash equivalent or invest the same in other suitable securities leading to substantial reduction in the earning capability of the Scheme.
- In the event of an inordinately large number of redemption requests, the Scheme may face an asset-liability mismatch requiring the investment manager to make a distress sale of the securities leading to realignment of the portfolio consequently resulting in investment in lower yield instruments.
- Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk, in comparison to securities that are listed on the exchanges or offer other exit options to the investors, including put option. Within the regulatory limit, the AMC may choose to invest in unlisted securities that offer attractive yields. This may however increase the risk of the portfolio.
- Investment decisions made by the AMC may not always be profitable.

- Changes in Government Policy in general and changes in tax benefits applicable to mutual funds may impact the returns to investors in the Scheme

### **C. Risk Factors associated with Securitised Debts**

Generally available Asset Classes for securitisation in India

- Commercial Vehicles
- Auto and Two wheeler pools
- Mortgage pools (residential housing loans)
- Personal Loan, credit card and other retail loans
- Corporate loans/receivables

In terms of specific risks attached to securitisation, each asset class would have different underlying risks, however, residential mortgages are supposed to be having lower default rates as an asset class. On the other hand, repossession and subsequent recovery of commercial vehicles and other auto assets is fairly easier and better compared to mortgages. Some of the asset classes such as personal loans, credit card receivables etc., being unsecured credits in nature, may witness higher default rates. As regards corporate loans/receivables, depending upon the nature of the underlying security for the loan or the nature of the receivable the risks would correspondingly fluctuate. However, the credit enhancement stipulated by rating agencies for such asset class pools is typically much higher and hence their overall risks are comparable to other AAA rated asset classes.

The rating agencies have an elaborate system of stipulating margins, over collateralisation and guarantee to bring risk limits in line with the other AAA rated securities. It is relevant to note here that predominantly the scheme intends to invest in only AAA rated securitised debt. This compares favourably with a portfolio which is constructed on the basis of AA rated securitised debt.

**Some of the factors, which are typically analyzed for any pool, are as follows:**

**Size of the loan:** generally indicates the kind of assets financed with loans. Also indicates whether there is excessive reliance on very small ticket size, which may result in difficult and costly recoveries. To illustrate, the ticket size of housing loans is generally higher than that of personal loans. Hence in the construction of a housing loan asset pool for say Rs.1,00,00,000/- it may be easier to construct a pool with just 10 housing loans of Rs.10,00,000 each rather than to construct a pool of personal loans as the ticket size of personal loans may rarely exceed Rs.5,00,000/- per individual. Also to amplify this illustration further, if one were to construct a pool of Rs.1,00,00,000/- consisting of personal loans of Rs.1,00,000/- each, the larger number of contracts (100 as against one of 10 housing loans of Rs.10 Lakh each) automatically diversifies the risk profile of the pool as compared to a housing loan based asset pool.

**Average original maturity of the pool:** This indicates the original repayment period and whether the loan tenors are in line with industry averages and borrower's repayment capacity. To illustrate, in a car pool consisting of 60 month contracts, the original maturity and the residual maturity of the pool viz. number of remaining installments to be paid gives a better idea of the risk of default of the pool itself. If in a pool of 100 car loans having original maturity of 60 months, if more than 70% of the contracts have paid more than 50% of the installments and if no default has been observed in such contracts, this is a far superior portfolio than a similar car loan pool where 80% of the contracts have not even crossed 5 installments.

**Loan to Value Ratio:** Indicates how much % value of the asset is financed by borrower's own equity. The lower LTV, the better it is. This Ratio stems from the principle that where the borrowers own contribution of the asset cost is high; the chances of default are lower. To illustrate for a Truck costing Rs.20 lakh, if the borrower has himself contributed Rs.10 lakh and has taken only Rs.10 lakh as a loan, he is going to have lesser propensity to default as he would lose an asset worth Rs.20 lakh if he defaults in repaying an installment. This is as against a borrower who may meet only Rs.2 lakh out of his own equity for a truck costing Rs.20 lakh. Between the two scenarios given above, the latter would have higher risk of default than the former.

**Average seasoning of the pool:** This indicates whether borrowers have already displayed repayment discipline. To illustrate, in the case of a personal loan, if a pool of assets consist of those who have already repaid 80% of the installments without default, this certainly is a superior asset pool than one where only 10% of installments have been paid. In the former case, the portfolio has already demonstrated that the repayment discipline is far higher.

**Default rate distribution:** This indicates how much % of the pool and overall portfolio of the originator is current, how much is in 0-30 DPD (days past due), 30-60 DPD, 60-90 DPD and so on. The rationale here is very obvious, as against 0-30 DPD, the 60-90 DPD is certainly a higher risk category.

Unlike in plain vanilla instruments, in securitisation transactions it is possible to work towards a target credit rating, which could be much higher than the originator's own credit rating. This is possible through a mechanism called 'Credit enhancement'. The purpose of credit enhancement is to ensure timely payment to the investors, if the actual collection from the pool of receivables for a given period is short of the contractual payouts on securitisation. Securitisations are normally non-recourse instruments and therefore, the repayment on securitisation would have to come from the underlying assets and the credit enhancement. Therefore, the rating criteria centrally focus on the quality of the underlying assets.

World over, the quality of credit ratings is measured by default rates and stability. An analysis of rating transition and default rates, witnessed in both international and domestic arena, clearly reveals that structured finance ratings have been characterized by far lower default and transition rates than that of plain vanilla debt ratings. Further, internationally, in case of structured finance ratings, not only are the default rates low but post default recovery is also high.

In the Indian scenario, also, more than 95% of issuances have been AAA rated issuances indicating the strength of the underlying assets as well as adequacy of credit enhancement.

#### **Investment exposure of the Scheme with reference to Securitised Debt:**

- The Scheme will predominantly invest only in those securitisation issuances which have AAA rating indicating the highest level of safety from credit risk point of view at the time of making an investment. The Scheme will not invest in foreign securitized debt.
- The Scheme may invest in various types of securitisation issuances, including but not limited to Asset Backed Securitisation, Mortgage Backed Securitisation, Personal Loan Backed Securitisation, Collateralized Loan Obligation / Collateralized Bond Obligation and so on.
- The Scheme does not propose to limit its exposure to only one asset class or to have asset class based sub-limits as it will primarily look towards the AAA rating of the offering.
- The Scheme will conduct an independent due diligence on the cash margins, collateralisation, guarantees and other credit enhancements and the portfolio characteristic of the securitisation to ensure that the issuance fits in to the overall objective of the investment in high investment grade offerings irrespective of underlying asset class.

#### **Risk Factors specific to investments in Securitised Papers:**

Types of Securitised Debt vary and carry different levels and types of risks. Credit Risk on Securitised Bonds depends upon the Originator and varies depending on whether they are issued with Recourse to Originator or otherwise. Even within securitised debt, AAA rated securitised debt offers lesser risk of default than AA rated securitised debt. A structure with Recourse will have a lower Credit Risk than a structure without Recourse.

Underlying assets in Securitised Debt may assume different forms and the general types of receivables include Auto Finance, Credit Cards, Home Loans or any such receipts, Credit risks relating to these types of receivables depend upon various factors including macro economic factors of these industries and economies. Specific factors like nature and adequacy of property mortgaged against these borrowings, nature of loan agreement/ mortgage deed in case of Home Loan,

adequacy of documentation in case of Auto Finance and Home Loans, capacity of borrower to meet its obligation on borrowings in case of Credit Cards and intentions of the borrower influence the risks relating to the asset borrowings underlying the securitized debt.

Holders of the securitised assets may have low credit risk with diversified retail base on underlying assets especially when securitised assets are created by high credit rated tranches, risk profiles of Planned Amortisation Class tranches (PAC), Principal Only Class Tranches (PO) and Interest Only class tranches (IO) will differ depending upon the interest rate movement and speed of prepayment.

Unlike in plain vanilla instruments, in securitisation transactions, it is possible to work towards a target credit rating, which could be much higher than the originator's own credit rating. This is possible through a mechanism called 'Credit enhancement'. The process of 'Credit enhancement' is fulfilled by filtering the underlying asset classes and applying selection criteria, which further diminishes the risks inherent for a particular asset class. The purpose of credit enhancement is to ensure timely payment to the investors, if the actual collection from the pool of receivables for a given period is short of the contractual payout on securitisation. Securitisation is normally non-recourse instruments and therefore, the repayment on securitisation would have to come from the underlying assets and the credit enhancement. Therefore the rating criteria centrally focus on the quality of the underlying assets.

The change in market interest rates – prepayments may not change the absolute amount of receivables for the investors, but may have an impact on the re-investment of the periodic cash flows that the investor receives in the securitised paper.

#### **Limited Liquidity & Price risk:**

Presently, secondary market for 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 investor to resell them. Even if 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.

#### **Limited Recourse, Delinquency and Credit Risk:**

Securitised 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. Delinquencies and credit losses may cause depletion of the amount available under the Credit Enhancement and thereby the Investor Payouts 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 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.

### **Risks due to possible prepayments: Weighted Tenor / Yield**

Asset securitisation is a process whereby commercial or consumer credits are packaged and sold in the form of financial instruments. Full prepayment of underlying loan contract may arise under any of the following circumstances;

- Obligor pays the Receivable due from him at any time prior to the scheduled maturity date of that Receivable; or
- Receivable is required to be repurchased by the Seller consequent to its inability to rectify a material misrepresentation with respect to that Receivable; or
- The Servicer recognizing a contract as a defaulted contract and hence repossessing the underlying Asset and selling the same

In the event of prepayments, investors may be exposed to changes in tenor and yield.

### **Bankruptcy of the Originator or Seller**

If originator becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that the sale from originator to Trust was not a sale then an Investor could experience losses or delays in the payments due. All possible care is generally taken in structuring the transaction so as to minimize the risk of the sale to Trust not being construed as a “True Sale”. Legal opinion is normally obtained to the effect that the assignment of Receivables to Trust in trust for and for the benefit of the Investors, as envisaged herein, would constitute a true sale.

### **Bankruptcy of the Investor’s Agent**

If Investor’s agent becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that the recourse of Investor’s Agent to the assets/receivables is not in its capacity as agent/Trustee but in its personal capacity, then an Investor could experience losses or delays in the payments due under the swap agreement. All possible care is normally taken in structuring the transaction and drafting the underlying documents so as to provide that the assets/receivables if and when held by Investor’s Agent is held as agent and in Trust for the Investors and shall not form part of the personal assets of Investor’s Agent. Legal opinion is normally obtained to the effect that the Investors Agent’s recourse to assets/receivables is restricted in its capacity as agent and trustee and not in its personal capacity.

## **Credit Rating of the Transaction / Certificate**

The credit rating is not a recommendation to purchase, hold or sell the Certificate in as much as the ratings do not comment on the market price of the Certificate or its suitability to a particular investor. There is no assurance by the rating agency either that the rating will remain at the same level for any given period of time or that the rating will not be lowered or withdrawn entirely by the rating agency.

## **Risk of Co-mingling**

The Servicers normally deposit all payments received from the Obligor into the Collection Account. However, there could be a time gap between collection by a Servicer and depositing the same into the Collection account especially considering that some of the collections may be in the form of cash. In this interim period, collections from the Loan Agreements may not be segregated from other funds of the Servicer. If the Servicer fails to remit such funds due to Investors, the Investors may be exposed to a potential loss. Due care is normally taken to ensure that the Servicer enjoys highest credit rating on stand alone basis to minimize Co-mingling risk.

## **D. Risk Factors associated with securities Lending**

The risks in lending portfolio securities, as with other extensions of credit, consist of the failure of another party, in this case the approved intermediary, to comply with the terms of agreement entered into between the lender of securities i.e. the Scheme and the approved intermediary. Such failure to comply with can result in the possible loss of rights in the collateral put up by the borrower of the securities, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of any corporate benefits accruing to the lender from the securities deposited with the approved intermediary. The Mutual Fund may not be able to sell such lent securities and this can lead to temporary illiquidity.

## **E. Risk Factors associated with the use of Derivatives**

Derivatives 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 fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund 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.

As and when the schemes trade in the derivatives market there are risk factors and issues concerning the use of derivatives that the investors should understand. Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. 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 or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the “counter party”) to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mis-pricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value. Also, the market for derivative instruments is nascent in India.

#### **F. Special Considerations**

- The Sponsor is not responsible or liable for any loss resulting from the operation of the Scheme beyond the initial contribution of an amount of Rs.100,000/- (Rupees One lakh only) collectively made by them towards setting up the Fund or such other accretions and additions to the initial corpus set up by the Sponsor.
- Neither this Offer Document nor the Units have been registered in any jurisdiction. The distribution of this Offer Document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this Offer Document are required to inform themselves about, and to observe, any such restrictions.
- Prospective investors should review / study this Offer Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters and are advised to consult their own professional advisor(s) as to the legal, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (by way of sale, switch or Redemption or conversion into money) of Units and to the treatment of income (if any), capitalisation, capital gains, any distribution, and other tax consequences relevant to their subscription, acquisition, holding, capitalisation, disposal (by way of sale, transfer, switch or conversion into money) of Units within their jurisdiction of nationality, residence, incorporation, domicile etc. or under the laws of any jurisdiction to which they or any managed funds to be used to Purchase / gift Units are subject, and also to determine possible legal, tax, financial or other

consequences of subscribing / gifting, purchasing or holding Units before making an application for Units.

- Lotus India Mutual Fund / the AMC have not authorised any person to give any information or make any representations, either oral or written, not stated in this Offer Document in connection with issue of Units under the Scheme. Prospective investors are advised not to rely upon any information or representations not incorporated in this Offer Document as the same have not been authorised by the Fund or the AMC. Any subscription, Purchase or sale made by any person on the basis of statements or representations which are not contained in this Offer Document or which are inconsistent with the information contained herein shall be solely at the risk of the investor.
- Funds managed by the affiliates / associates of the Sponsor may invest either directly or indirectly in the Scheme. The funds managed by these affiliates/associates may acquire a substantial portion of the Scheme's Units and collectively constitute a major investment in the Scheme. Accordingly, Redemption of Units held by such funds may have an adverse impact on the value of the Units of the Scheme because of the timing of any such Redemption and may affect the ability of other Unit Holders to redeem their respective Units.
- As the liquidity of the Scheme's investments may sometimes be restricted by trading volumes and settlement periods, the time taken by the Fund for Redemption of Units may be significant in the event of an inordinately large number of Redemption requests or of a restructuring of the Scheme's portfolio. In view of this, the Trustee has the right, in its sole discretion, to limit redemptions under certain circumstances - please refer paragraph "Right to Limit Redemptions" in Chapter VII.
- The AMC, under powers delegated by the Trustee, shall have absolute discretion to reject any application, prevent further transactions by a Unit Holder, if after due diligence, the investor / Unit Holder / a person making the payment on behalf of the investor does not fulfill the requirements of the "Know Your Customer" or the AMC believes that the transaction is suspicious in nature as regards money laundering. In this behalf the AMC reserves the right to reject any application and effect a mandatory Redemption of Units allotted at any time prior to the expiry of 21 Days from the date of the allotment. If the payment for Purchase of Units are made by a third party (e.g. a Power of Attorney Holder, a Financing agency, a relative, etc.), the Unit Holder may be required to give such details of such transaction so as to satisfy the AMC of the source and / or consideration underlying the transaction.  
**Investors are urged to study the terms of the Offer carefully before investing in the Scheme and to retain this Offer Document for future reference.**

### III. DUE DILIGENCE CERTIFICATE

It is confirmed that:

1. The draft Offer Document forwarded to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time.
2. All legal requirements connected with the launching of the Scheme and also the guidelines, instructions, etc. issued by the Government of India and any other competent authority in this behalf, have been duly complied with.
3. The disclosures made in the Offer Document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the proposed Scheme.
4. All the intermediaries named in the Offer Document are registered with SEBI and till date such registration is valid.

For **Lotus India Asset Management Company Private Limited**  
(Investment Manager to Lotus India Mutual Fund)

Sd/-  
Name: **Miten Chawda**  
Designation: Head of Compliance  
& Company Secretary

Place: Mumbai  
Date: November 29, 2007

Note:  
The aforesaid Due Diligence Certificate dated November 29, 2007 was submitted to Securities and Exchange Board of India on November 29, 2007.

#### IV. CONSTITUTION OF THE FUND

##### A. The Fund

Lotus India Mutual Fund has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated April 27, 2006. The Fund was registered with SEBI vide registration number MF/052/06/01 dated July 24, 2006.

The office of the Mutual Fund is at 6<sup>th</sup> Floor, Chandermukhi, Nariman Point, Mumbai – 400 021. India

The objective of the Fund is to raise monies through the sale of units to the public or a section of the public under one or more schemes for investing in securities.

##### B. The Sponsor

The Sponsor of Lotus India Mutual Fund is Alexandra Fund Management Pte Ltd. (AFM), an investment holding company focusing on companies that provide investment management services to investment funds and private equity funds. AFM is a subsidiary of Fullerton Fund Investments Pte Ltd, a company incorporated in Singapore, which is wholly owned subsidiary of Temasek Holdings (Private) Limited. Temasek Holdings (Private) Limited is an Asian Investment Company headquartered in Singapore. .

##### Summary of Sponsor's financial performance

Amount in S\$

Description	March 31, 2007	March 31, 2006	March 31, 2005
Total Revenue	1,672,513	31,799	74,046
Profit After Tax	2,023,836	(910,029)	3,699,429
Equity Capital	4,100,000	4,100,000	82
Free Reserves	6,764,807	4,740,971	5,651,000
Other Reserve	3,673,754	3,929,646	7,999,920
Net Worth	14,538,561	12,770,617	13,651,002
Earning Per Share	0.49	(0.22)	45,115
Book Value Per Share	3.55	3.11	166,475.63
Dividend (%)	NIL	NIL	NIL

##### C. The Trustee Company (The Trustee)

Lotus India Trustee Company Private Limited (the Trustee), a company incorporated under the Companies Act, 1956, on May 31, 2005 is appointed as the Trustee to the Lotus India Mutual Fund vide Trust Deed dated April 27, 2006.

The Registered Office of the Trustee is situated at 6th floor, Chandermukhi, Nariman Point, Mumbai 400 021.

### Directors of the Trustee

The Board of Directors of the Trustee Company comprises of the following:

Names, addresses and occupations of the directors	Other directorships of the directors
<p><b>Mr. Victor Liew Cheng San*</b> 32 Cairnhill Road #03-03 Singapore 229657 <i>Corporate Advisor</i></p>	<ol style="list-style-type: none"> <li>1. CapitaLand Financial Ltd, Singapore</li> <li>2. Fullerton Fund Management Company Ltd, Singapore</li> <li>3. ST Treasury Services Ltd, Singapore</li> <li>4. PT Bank Danamon Indonesia Tbk, Indonesia</li> <li>5. Accuron Technologies Pte Ltd, Singapore (Formally known as Singapore Precision Industries 2000 Pte Ltd, Singapore)</li> <li>6. SIM Pte Ltd, Singapore</li> <li>7. CapitaRetail China Trust Management Ltd., Singapore</li> <li>8. Singapore Aerospace Manufacturing Pte Ltd, Singapore</li> </ol>
<p><b>Mr. Shital Kumar Jain</b> 5/10, 2<sup>nd</sup> Floor, Shanti Niketan, New Delhi – 110 021 Retired</p>	<ol style="list-style-type: none"> <li>1. R.S. Software India Limited, India</li> <li>2. Clutch Auto Limited, India</li> <li>3. Centurion Bank of Punjab Limited, India</li> </ol>

<p><b>Mr. Kamlesh Shivji Vikamsey</b> 194, Kalpataru Habitat, Tower A, Dr S. S. Rao Road, Parel, Mumbai 400012 <i>Chartered Accountant</i></p>	<ol style="list-style-type: none"> <li>1. Navneet Publications (India) Limited, India</li> <li>2. Centurion Bank of Punjab Limited, India</li> <li>3. HLB Technologies (Mumbai) Pvt Ltd, India</li> <li>4. HLB Offices and Services Private Limited, India</li> <li>5. Ramky Infrastructure Limited, India</li> <li>6. Confederation of Asian &amp; Pacific Accountants (CAPA), Hong kong</li> <li>7. International Federation of Accountants (IFAC), New York, USA</li> <li>8. <u>General Insurance Corporation of India, India</u></li> </ol>
<p><b>Mr. Kedar J Desai</b> Flat No 52 Makani Manor Opp. Jaslok Hospital Pedder Road Mumbai 400 026 <i>Advocate</i></p>	<p>Nil</p>

\*Mr. Victor Liew Cheng San is an Associate Director.

### **Mr. Victor Liew Cheng San**

Mr. Liew is the Chairman of the Board of Directors of Fullerton Fund Management Company Ltd and currently a Corporate Advisor to Temasek Holdings (Pte) Limited. He serves as director on various Boards both within and outside Temasek Group of companies. Armed with 30 years of experience in the financial sector, Mr. Liew started his career as a banking officer in First Chicago in 1973 and eventually retired as head of Global markets and a member of the management committee of OUB, a major local bank in Singapore.

Mr. Liew is a Bachelor of Social Science (Honours) from University of Singapore.

### **Mr. Shital Kumar Jain**

Mr. Jain was associated with Citibank for over 30 years and was Credit Director - Retail bank of Citibank, India responsible for the Risk management policies, processes and procedures from 1993 till he retired on 2000.

Mr. Jain is an MBA from Indiana University, USA. He is having over 30 years of experience in Risk Management processes and procedures in the Banking system.

**Mr. Kamlesh Shivji Vikamsey**

Mr. Vikamsey is the Senior Partner of Khimji Kunverji & Co., Chartered Accountants, Mumbai since 1982 and he is having a professional experience of over 25 years in areas such as Taxation, Audits/ Consultancy of Central Bank of the Country, viz. Reserve Bank of India, Life Insurance Corporation of India, Large Nationalised Banks, Foreign Banks (Indian Operations), etc.

Mr. Vikamsey is a Graduate in Commerce and is a member of Institute of Chartered Accountants of India (ICAI). He is the President of ICAI since February 2005.

**Mr. Kedar J Desai**

Mr. Desai is the Partner of Desai Desai & Carrimjee., Advocates and Solicitors, Mumbai. He is veteran in matters concerning corporate laws, FEMA including commercial litigation matters.

Mr. Desai is a Solicitor with a degree in Law and in Commerce.

**RIGHTS, OBLIGATIONS, RESPONSIBILITIES AND DUTIES OF THE TRUSTEES UNDER THE TRUST DEED AND THE REGULATIONS**

Under the Trust Deed dated April 27, 2006 constituting the Mutual Fund and in terms of the Regulations the rights, obligations, responsibilities and duties of the Trustees are as follows:

1. It shall be the responsibility of the Trustee in carrying out its responsibilities to maintain arms' length relationship with other companies or institutions or financial intermediaries or any body corporate with which the Trustee may be associated.
2. It shall be the duty of the Trustee to take into its custody or under their control all the property of the Schemes of the Mutual Fund and hold these in trust for the Unitholders. The Trustee shall be accountable for and be the custodian of the funds and property of the Schemes and shall hold the same for the benefit of the Unitholders in accordance with the SEBI regulations and the provisions of the Trust Deed.
3. It shall be the duty of the Trustee to act in the interest of the Unitholders.
4. It shall be the duty of the Trustee to provide or cause to provide information to the Unitholders and SEBI as may be required by SEBI from time to time

5. The Trustee shall supervise the collection of any income due to be paid to the Scheme of the Mutual Fund and for claiming any repayment of tax and holding any income received in trust for the Unitholders in accordance with the Trust Deed and the SEBI Regulations.
6. The Trustee shall not acquire any asset out of the Mutual Fund which involves the assumption of any liability which is unlimited or which results in encumbrance of the Mutual Fund in any way.
7. It shall be the duty of the Trustee to take reasonable care to ensure that the funds under the Schemes floated by and managed by the AMC are in accordance with the Trust Deed and the SEBI Regulations.
8. The Sponsor or the Trustee shall be entitled by one or more Deed/s supplemental to the Trust Deed to amend, modify, alter or add to the provisions of the Trust Deed in such manner and to such extent as they may consider expedient for any purpose, provided that:
  - i. no such amendment, modification, alteration or addition shall be made without the approval of the Unitholders and SEBI;
  - ii. no such modification, alteration or addition shall impose upon any Unitholder any obligation to make any further payment in respect of his Units or to accept any liability in respect thereof.
9. Where the SEBI Regulations provide for seeking the approval of the Unitholders for any purpose, the Trustee may adopt any of the following procedures:
  - i. Seeking approval by postal ballot or
  - ii. Approval of the Unitholders present and voting at a meeting to be specifically convened by the Trustee for the purpose. For this purpose, the Trustees shall give 21 days notice to the Unitholders and the Trustees may lay down guidelines for the actual conduct and accomplishment of the voting at the meeting and announcement of the results.
10. The number of Directors of the Board shall not be less than 4 (or such other number as specified by SEBI from time to time). Subject to the provisions of the SEBI Regulations, at least two thirds of the Directors of the Board shall be independent Directors and shall not be associated with the Sponsor or be associated with the Sponsor in any manner whatsoever.
11. A Director shall not participate in the meetings of the Trustee or in any decision making process for any investments in which he may be interested.
12. It shall be the duty of each Director to furnish to the Trustee, the particulars of any interest which he may have in any other company or institution or financial intermediaries or any corporate body by virtue of his position as Director, partner or with which he may be associated in any other capacity.

13. The Board shall meet atleast once every two calendar months and atleast six meetings of the Board shall be held in every year. The quorum for such meeting shall be 2(two) Directors of the Board or 1/3 Directors which ever is higher. The quorum for the meetings of the Board shall always include the presence of atleast one Independent Director.
14. The Trustee shall have power to dismiss the Asset Management Company under specific events only with the approval of SEBI in accordance with the SEBI Regulations.
15. The Trustee shall appoint a Custodian and enter into a custodian agreement on behalf of the Mutual Fund with the Custodian in accordance with the SEBI Regulations and shall be responsible for the supervision of its activities in relation to the Mutual Fund.
16. The Trustee shall have a right to obtain from the Asset Management Company such information as is considered necessary by the Trustee.
17. The Trustee shall ensure before the launch of any scheme that the Asset Management Company has-
  - a. systems in place for its back office, dealing room and accounting;
  - b. appointed all key personnel including fund manager(s) for the Scheme and submitted their bio-data which shall contain the educational qualifications, past experience in the securities market with the Trustee, within 15 days of their appointment;
  - c. appointed auditors to audit its accounts;
  - d. appointed a compliance officer who shall be responsible for monitoring the compliance of the Securities and Exchange Board of India Act, 1992, rules and regulations, notifications, guidelines instructions etc issued by SEBI or the Central Government and for redressal of investors' grievances;
  - e. appointed registrars and laid down parameters for their supervision;
  - f. prepared a compliance manual and designed internal control mechanisms including internal audit systems;
  - g. specified norms for empanelment of brokers and marketing agents.
18. The Trustee shall ensure that –
  - i. the Asset Management Company has been diligent in empanelling the brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with any broker;
  - ii. the Asset Management Company has not given any undue or unfair advantage to any associates or dealt with any of the associates of the Asset Management Company in any manner detrimental to interest of the Unitholders;
  - iii. the transactions entered into by the Asset Management Company are in accordance with the SEBI Regulations and the scheme;
  - iv. the Asset Management Company has been managing the Mutual Fund schemes independently of other activities and have taken adequate

- steps to ensure that the interest of investors of one scheme are not being compromised with those of any other scheme or of other activities of the Asset Management Company; and
- v. all the activities of the Asset Management Company are in accordance with the provisions of the SEBI Regulations.
19. Where the Trustee have reason to believe that the conduct of business of the Mutual Fund is not in accordance with the SEBI Regulations and the scheme they shall forthwith take such remedial steps as are necessary by them and shall immediately inform SEBI of the violation and the action taken by them.
20. The Trustee shall take steps to ensure that the transactions of the Mutual Fund are in accordance with the provisions of the Trust Deed.
21. The Trustee shall be responsible for the calculation of any income due to be paid to the Mutual Fund and also of any income received in the Mutual Fund for the holders of the Units of any scheme in accordance with the SEBI Regulations and the Trust Deed.
22. The Trustee shall obtain the consent of the Unitholders;
- i. whenever required to do so by SEBI in the interest of the Unitholders; or
  - ii. whenever required to do so on the requisition made by three-fourths of the Unitholders of any scheme; or
  - iii. when the majority of the Board of Directors of the Trustee decide to wind up or prematurely redeem the Units.
23. The Trustee shall ensure that no change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme and affects the interest of Unitholders, shall be carried out unless:
- i. a written communication about the proposed change is sent to each Unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
  - ii. the Unitholders are given an option to exit at the prevailing Net Asset Value without any exit load.
24. The Trustee shall quarterly review all transactions carried out between the Mutual Fund, Asset Management Company and its associates.
25. The Trustee shall quarterly review the networth of the Asset Management Company and in case of any shortfall, ensure that the Asset Management Company make up for the shortfall as per clause (f) of sub-regulation (1) of SEBI Regulation 21.

26. The Trustee shall periodically review all service contracts such as custody arrangements, transfer agency of the securities and satisfy itself that such contracts are executed in the interest of the Unitholders
27. The Trustee shall ensure that there is no conflict of interest between the manner of deployment of its networth by the Asset Management Company and the interest of the Unitholders.
28. The Trustee shall periodically review the investor complaints received and the redressal of the same by the Asset Management Company.
29. The Trustee shall abide by the Code of Conduct as specified in the Fifth Schedule to the SEBI Regulations.

The Trustee shall exercise due diligence as under:

A. General Due Diligence:

- i. The Trustee shall be discerning in the appointment of the Directors on the Board of the Asset Management Company.
- ii. Trustee shall review the desirability of continuance of the Asset Management Company if substantial irregularities are observed in any of the schemes and shall not allow the Asset Management Company to float new schemes.
- iii. The Trustee shall ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons.
- iv. The Trustee shall ensure that all service providers are holding appropriate registrations from SEBI or concerned regulatory authority.
- v. The Trustees shall arrange for test checks of service contracts.
- vi. Trustees shall immediately report to SEBI of any special developments in the Mutual Fund.

B. Specific Due Diligence:

The Trustee shall:

- i. obtain internal audit reports at regular intervals from independent auditors appointed by the Trustee.
- ii. obtain compliance certificates at regular intervals from the Asset Management Company.
- iii. hold meeting of Trustee more frequently.
- iv. consider the reports of the independent auditor and compliance reports of Asset Management Company at the meetings of Trustee for appropriate action.
- v. maintain records of the decisions of the Trustee at their meetings and of the minutes of the meetings.
- vi. prescribe and adhere to a code of ethics by the Trustee, Asset Management Company and its personnel.

- vii. communicate in writing to the Asset Management Company of the deficiencies and checking on the rectification of deficiencies.

The independent Directors of the Trustee or Asset Management Company shall pay specific attention to the following, as may be applicable, namely:

- i. the Investment Management Agreement and the compensation paid under the agreement.
- ii. service contracts with affiliates - whether the Asset Management Company has charged higher fees than outside contractors for the same services.
- iii. selection of the Asset Management Company's independent Directors
- iv. securities transactions involving affiliates to the extent such transactions are permitted.
- v. selecting and nominating individuals to fill independent Directors vacancies.
- vi. code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions.
- vii. the reasonableness of fees paid to Sponsor, Asset Management Company and any others for services provided.
- viii. principal underwriting contracts and their renewals.
- ix. any service contract with the associates of the Asset Management Company.
- x. report received from the AMC regarding the investments by the mutual fund in the securities of group companies of the sponsor

The Trustees may require or give verification of identity or other details regarding any subscription or related information from/of the unit holders as may be required under any law, which may result in delay in dealing with the applications, units, benefits, distribution etc.

Notwithstanding anything contained in the SEBI Regulations 18 (1) to 18 (25), the Trustee shall not be held liable for acts done in good faith if they have exercised adequate due diligence honestly.

### **TRUSTEESHIP FEE**

Pursuant to the Trust Deed, the Trustee, in addition to the reimbursement of all costs, charges and expenses incurred in or about the administration and execution of the Fund, is entitled to receive a fee from and out of the Trust Property. As per the Trust Deed, the Trustee Company shall be entitled to receive a fee at the rate of 0.025% per annum of the average daily net assets of the Fund or Rs. 20 lakh per annum, whichever is lower. The Trustee fees shall be accrued on a daily basis but the payment shall be made on a monthly basis.

## **Supervisory Role of Trustees**

The supervisory role of the Trustees will be discharged by reviewing the information and the operations of the Fund based on the reports submitted at the meetings of the Trustees, by reviewing the reports submitted by the Internal Auditor and the bi-monthly and half yearly compliance reports. Presently the Board of Trustees are required to hold a meeting at least once in 2 calendar months and at least 6 such meetings are required to be held every year. During the financial year ended March 31, 2007 five meetings and during current financial year 6 meetings of the Board of Directors of Trustee were held. The Audit Committee, comprising of 4 the directors on the board of the Trustee with an independent director as its chairman, has been constituted pursuant to the SEBI circular MFD/CIR/010/024/2000 dated January 17, 2000 to, inter alia, review internal audit systems and reports from internal and statutory auditors.

### **D. The Asset Management Company**

#### **Constitution**

Lotus India Asset Management Company Private Limited (the Investment Manager or the AMC), is a company incorporated under the Companies Act, 1956, on May 20, 2005 vide registration number U67190MH2005PTC153471 having its registered office at 6<sup>th</sup> Floor, Chandermukhi, Nariman Point, Mumbai – 400 021.

In terms of the Investment Management Agreement ("IMA") dated April 27, 2006 entered into between the Trustee and the AMC, the AMC has been appointed as the Investment Manager to the Fund.

The Investment Manager was approved by SEBI to act as the AMC for the Fund vide letter no. IMD/SB/72563/06 dated July 27, 2006. The AMC manages the Scheme / options of the Fund in accordance with the provisions of the Investment Management Agreement, the Trust Deed, the Regulations and the objectives of each Scheme / option. The AMC can be removed by the Trustee, subject to the Regulations.

In accordance with the SEBI Regulations, an asset management company, subject to certain conditions, is also permitted to undertake activities in the nature of portfolio management services, management and advisory services to offshore funds, pension funds, provident funds, venture capital funds, management of insurance funds, financial consultancy and exchange of research on commercial basis and such other activities as may be permitted by SEBI from time to time. Subject to these activities being assessed as desirable and economically viable and further subject to the approval of SEBI, the AMC may undertake any or all of these activities after satisfying itself that there is no potential conflict of interest.

## Board of Directors of the AMC

The Board of Directors of the Asset Management Company comprises of the following:

Names, addresses and occupations of the directors	Other directorships of the directors
<p><b>Mr. Gerard Lee How Cheng*</b> 35 Hindhede Walk #05-05 Southaven 2 Singapore 587969 <i>Executive</i></p>	<ul style="list-style-type: none"> <li>• Fullerton Fund Management Company Limited, Singapore</li> <li>• National Fullerton Asset Management Limited, Pakistan</li> <li>• Alexandra Fund Management Pte Ltd, Singapore</li> <li>• The Professional Training Company Pte Ltd, Singapore</li> </ul>
<p><b>Mr. Gurvirendra Singh [Rana] Talwar*</b> 19 Phillimore Place London, W8 7BY, UK <i>Executive</i></p>	<ul style="list-style-type: none"> <li>• Sabre Capital Worldwide (Mauritius) Limited, Mauritius</li> <li>• Centurion Bank of Punjab Limited, India</li> <li>• Pearson PLC, UK</li> <li>• Fortis SV &amp; NA, Belgium</li> <li>• Schlumberger Ltd, France</li> <li>• DLF Limited, India</li> <li>• Power Overseas Private Limited, India</li> <li>• Ambit Capital Pvt. Ltd.</li> <li>• Ambit Web 18 Retail Securities Pvt. Ltd.</li> </ul>
<p><b>Mr. Rajiv Maliwal*</b> 61, Grange Road #06-01, Beverly Hill Singapore 249570 <i>Executive</i></p>	<ul style="list-style-type: none"> <li>• Centurion Bank of Punjab Limited, India</li> <li>• Ramky Infrastructure Limited, India</li> </ul>
<p><b>Mr. Patrick Pang Chin Hwang*</b> 27 Sandilands Road Singapore 546104 <i>Executive</i></p>	<ul style="list-style-type: none"> <li>• National Fullerton Asset Management Limited, Pakistan</li> </ul>
<p><b>Mr. S. Venkiteswaran</b> A/7-1 &amp; 2, Lloyds Garden, 7<sup>th</sup> Floor Appasaheb Marathe Marg, Prabhadevi, Worli Mumbai – 400 025</p>	<ul style="list-style-type: none"> <li>• Dolphin Offshore Enterprises (India) Ltd, India</li> <li>• Mundra Port and Special Economic Zone Ltd, India</li> <li>• Indian Register of Shipping, India</li> <li>• National Securities Clearing</li> </ul>

<p><i>Advocate</i></p>	<ul style="list-style-type: none"> <li>Corporation Ltd., India</li> <li>• The Clearing Corporation. of India Ltd., India</li> <li>• Pandi Correspondents Pvt. Ltd, India</li> <li>• Procyon Offshore Services Ltd., India</li> <li>• Mahagujarat Chamunda Cements Company Pvt. Ltd.</li> <li>• Pipavav Shipyard Limited</li> </ul>
<p><b>Mr. Jerry (Jaithirth) Rao</b> 61 Umang Kashibai Navrange Marg Gamdevi, Mumbai – 400 007 <i>Executive</i></p>	<ul style="list-style-type: none"> <li>• Mphasis Ltd, India</li> <li>• IDFC Private Equity Company Limited, India</li> <li>• Royal Orchid Hotels Limited, India</li> <li>• Rao properties Private Limited, India</li> <li>• Sanvijay Tourists Services Private Limited, India</li> <li>• Bangalore Review &amp; Magazines Company Private Limited, India</li> <li>• Juris Investment Private Limited, India</li> <li>• Puravankara Projects Limited, India</li> <li>• Jurimatrix Services India Private Limited, India</li> <li>• Sankhyaa Learning Limited, UK</li> <li>• VA Tech Wabag Limited.</li> </ul>
<p><b>Mr. Praveen Purushottam Kadle</b> 224 NCPA Apartments, Nariman Point Mumbai – 400 021 <i>Executive</i></p>	<ul style="list-style-type: none"> <li>• Tata Technologies Ltd, India</li> <li>• Telco Construction Equipment Co Ltd, India</li> <li>• Tata Motors Insurance Co. Ltd., India</li> <li>• Tata Motors Finance Limited, India</li> <li>• Tata Securities Limited, India</li> <li>• Tata Technologies Pte. Ltd., Singapore</li> <li>• INCAT PLC., UK</li> <li>• Tata Capital Limited.</li> </ul>
<p><b>Mr. Shailesh Haribhakti</b> Flat No.228, Kalpataru Habitat, B Wing, Dr. S S Rao Road, Parel, Mumbai 12</p>	<ul style="list-style-type: none"> <li>• Pantaloon Retail (India) Ltd. , India</li> <li>• Akruiti Nirman Ltd., India</li> <li>• Morarjee Textiles Limited, India</li> </ul>

<i>Chartered Accountant</i>	<ul style="list-style-type: none"> <li>• Hexaware Technologies Ltd. , India</li> <li>• Associated Cement Companies Limited, India</li> <li>• Gujarat Ambuja Cement Ltd. , India</li> <li>• Everest Kanto Cylinder Limited, India</li> <li>• Hercules Hoists Ltd. , India</li> <li>• Quadrum Solutions Pvt. Limited , India</li> <li>• Mahindra Gesco Developers Ltd. , India</li> <li>• Blue Star Limited, India</li> <li>• Kotak Mahindra Private Equity Trustees Ltd. , India</li> <li>• Fortune Financial Services (India) Limited, India</li> <li>• Haribhakti MRI Corporate Services Pvt. Ltd., India</li> <li>• Moores Rowland Consulting Pvt. Ltd. , India</li> <li>• Advantage Moti India Pvt. Ltd., India</li> <li>• Ebiz Chem Private Limited, India</li> <li>• First Policy Insurance Advisors Private Limited, India</li> <li>• Neue Alliance Corporate Services Pvt. Ltd., India</li> <li>• Overseas Infrastructure Alliance India Ltd., India</li> <li>• Great Offshore Limited, India</li> <li>• Future Capital Holdings Limited</li> </ul>
-----------------------------	--

\*Mr. Gerard Lee How Cheng, Mr. Gurvirendra Singh [Rana] Talwar, Mr. Rajiv Maliwal and Mr. Patrick Pang Chin Hwang are Associate Directors.

### **Mr. Gerard Lee How Cheng**

Mr. Gerard Lee How Cheng is the Chief Executive Officer of Fullerton Fund Management Company Limited, Singapore. He was previously the Head of Fund Management of Temasek Holdings Pte Ltd. Singapore. Before joining Temasek, he was the Deputy Chief Investment Officer at Deutsche Asset Management; Singapore, Head of Fixed Income Sales at SBC Warburg; Singapore and Head of the Government of Singapore Investment Corporation Pte Ltd: New York Office.

Mr. Cheng holds Bachelors of Science (Honours) degree from National University of Singapore.

### **Mr. Gurvirendra Singh [Rana] Talwar**

Mr. Gurvirendra Singh [Rana] Talwar is the Co-founder of Sabre Capital Worldwide (Mauritius) Limited, Mauritius. Mr. Talwar was the Group Chief Executive at Standard Chartered Bank, UK and prior to that he was associated with Citibank NA, US as Group Executive where he was responsible for all business in Asia Pacific, US & Europe.

Mr. Talwar is a Bachelor of Arts (Honours) with specialization in Economics.

### **Mr. Rajiv Maliwal**

Mr. Rajiv Maliwal is the Founding Partner of Sabre Capital Worldwide (Mauritius) Limited, Mauritius. He has over two decades of banking experience in Asia-most recently as Global Head for Private Equity, Standard Chartered Bank. Prior to this Mr. Maliwal had senior operating roles at ANZ Grindlays as Country Head – India for the wholesale bank and before that, with Goldman Sachs, Hong Kong, JP Morgan, Singapore and Citibank, India.

He is an MBA from Indian Institute of Management, Bangalore after graduating with honours in Mechanical Engineering from BITS, Pilani, India.

### **Mr. Patrick Pang Chin Hwang**

Mr. Patrick Pang Chin Hwang is the Director - Portfolio Management of Fullerton Fund Management Company Limited, Singapore. He was previously the Director - Investments of Temasek Holdings Pte Ltd. Singapore. Before joining Temasek, he was associated with Lehman Brothers Asia, Hong Kong, Jardine Fleming Exchange Capital; Philippines and Jardine Fleming International Securities, Singapore.

Mr. Patrick Pang holds Bachelors of Science degree and Business Administration from University of Southern California.

### **Mr. S. Venkiteswaran**

Mr. S. Venkiteswaran is a Senior Advocate having more than 43 years of experience in Shipping & Maritime Law. He has been Arbitrator for a number of Arbitrations by the Indian Council of Arbitration and in ad hoc Arbitrations. He has been Counsel for Government of India, various Government Departments and Public Sector Undertakings for many domestic and International cases.

Mr. S. Venkiteswaran holds Bachelors Degree of Science and is a LL.B.

### **Mr. Jaithirth Rao**

Mr. Rao is the Chairman of Mphasis Limited, India. Before joining Mphasis Limited, Mr. Rao was associated with Citi Group (India & US). Mr. Rao is veteran in Consumer and Corporate Financial Services & in Technology Management.

Mr. Rao holds Masters Degree from University of Chicago & Indian Institute of Management – Ahmedabad.

### **Mr. Praveen Purushottam Kadle**

Mr. Kadle is the Executive Director – Finance & Corporate Affairs of Tata Motors Limited. Before joining Tata Motors Limited, he was Vice President – Finance of Tata IBM Limited, a Joint Venture between Tata & IBM. Mr. Kadle has been adjudged as one of the best CFOs in India for the year 2005 by Business Today.

Mr. Kadle graduated in Commerce, and is a member of the Institute of Chartered Accountants of India, Institute of Company Secretaries of India and member of Institute of Cost & Works Accountant of India.

### **Mr. Shailesh Haribhakti**

Mr. Shailesh Haribhakti is the Managing Partner and CEO of Haribhakti & Co, India and is having a professional experience of over 26 years in the areas of mergers and acquisition, risk management, international strategies, training and mentoring.

Mr. Haribhakti is a Chartered Accountant, Graduate Cost Accountant, Certified Internal Auditor, Certified Fraud Examiner and Certified Financial Planner

## **DUTIES AND RESPONSIBILITIES OF THE ASSET MANAGEMENT COMPANY**

The Duties and Responsibilities of the AMC shall be consistent with the SEBI Regulations and the Investment Management Agreement. The AMC shall discharge such duties and responsibilities as provided for under the SEBI Regulations and the Investment Management Agreement. The AMC shall, in the course of managing the affairs of the Mutual Fund, *inter alia*:

- A. provide management, advisory and administrative services for the Trust in accordance with the provisions of the IMA and any resolution of the Trustee Company Board from time to time;
- B. formulate and devise various Schemes and invest the Trust Fund in accordance with the objects/provisions of the Trust Deed, the Regulations, or circulars issued by SEBI from time to time;

- C. manage the Schemes of the Fund in accordance with the relevant rules and regulations applicable to them (including the provisions of the relevant Offer Document applicable to each Scheme) subject to directions from SEBI;
- D. be responsible for the day-to-day management of the Trust Property and the various Schemes of the Fund;
- E. be responsible for floating and issuing Schemes for the Fund after approval of the same by the Trustee Company Board and SEBI, as well as investing and managing the funds raised under the various Schemes, in accordance with the provisions of the Trust Deed and the Regulations;
- F. ensure that no Offer Document of a Scheme, key information memorandum, abridged half yearly results and annual results are issued or published without the prior approval of the Trustee Company Board or the Board of the AMC in writing, and also ensure that such documents do not contain any statements or matter extraneous to the Trust Deed or particulars stated in the Offer Document for the Scheme approved by the Trustee Company Board and SEBI;
- G. disclose the Repurchase Price and NAV of the various Schemes of the Fund to the investors, at such intervals as may be specified by the Trustee Company Board and in accordance with the Regulations issued from time to time;
- H. maintain books and records about the operation of various Schemes of the Fund to ensure compliance with the Regulations, and submit a quarterly report on the functioning of each of the various Schemes of the Fund to the Trustee Company or at such intervals and in such manner as may be required or called for by the Trustee Company or by SEBI;
- I. send periodical reports, as required under the Regulations, in addition to any other reports called for by the Trustee Company or SEBI from time to time;
- J. instruct the Auditors to examine the Trust's annual Statement of Accounts and to report on their correctness and authorise the auditors to communicate directly with the Trustee Company at any time;
- K. publish by public advertisement in newspapers and, if so thought fit, in any other manner, the un-audited half-yearly accounts and audited annual accounts of the various Schemes as required under the Regulations; and
- L. exercise all due diligence and vigilance in carrying out its duties and in protecting the rights and interests of the Unit Holders.

## **Investment Management Fee**

The AMC is entitled to charge an investment management and advisory fee at the rate of 1.25% per annum of the average daily net assets of the Scheme(s) outstanding in each financial year for the net assets up to Rs. 100 Crores and at the rate of 1.00% per annum of the average daily net assets outstanding in each financial year for the net assets in excess of Rs.100 Crores.

## **Shareholding Pattern of the AMC**

The Shareholding pattern of the AMC is as follows:

<b>Name of the Shareholder</b>	<b>Holding (%)</b>	
	<b>Equity</b>	<b>Preference</b>
Alexandra Fund Management Pte. Ltd (AFM)	42.84%	62.86%
Sabre Capital Investment Holdings Limited (Sabre Capital)	32.16%	37.14%
Other Resident Shareholders	25%	-

For note on activities of AFM, please refer to the paragraph on “The Sponsor”.

Sabre Capital is part of Sabre Capital Worldwide Group (Sabre). Sabre seeks to participate in the development of the financial services, business process outsourcing and real estate sectors in emerging markets by channeling financial and management resources into growth opportunities that generate superior returns.

Over a number of years Sabre has developed Management expertise in financial services. It also has a deep strategic understanding of acquisition and building of businesses, customer relationship management, product development, technology, risk and financial management. One of Sabre’s successful initiatives was the completion of investment in Centurion Bank. Sabre led a consortium of investors to invest USD 70 million for a 50% plus stake in Centurion Bank. Sabre has subsequently raised over USD 255 million of capital for the bank. Centurion Bank recently merged with Bank of Punjab to create a bank with 240 branches across India. The role of Sabre continues to be to lead the merged Centurion bank of Punjab.

## **Other activities of the AMC**

The AMC has received no objection letter from SEBI to provide non-binding, non-discretionary and non-exclusive advisory services to Fullerton Fund Management Company Ltd., Singapore with respect to one of its clients. The advisory service provided by the AMC is not in conflict with the asset management activity of the Mutual Fund.

## **Key Personnel of the AMC and their relevant experience**

### **Mr. Ajay Bagga**

39 years

B.A. (Hons.), PGDBM, XLRI, Jamshedpur.

Mr. Ajay Bagga, has over 16 years of work experience. Immediately after the completion of his PGDBM in 1990, Mr. Bagga joined Citibank N.A. He worked with Citibank for over ten years, and spearheaded several new initiatives, of which Citibank Suvidha is but one. Following his stint in Citibank, Mr. Bagga held the position of National Head, Sales, Distribution and Business Development at the erstwhile Pioneer ITI Asset Management Company Ltd., where his tenure was marked by rapid expansion of branches and customer base, the building of a debt fund presence and the introduction of several innovative products. Subsequently, Mr. Bagga headed Marketing for the credit card Joint Venture between GE Capital and SBI Cards, a role he held for a year and a half. Prior to joining Lotus India Asset Management Company Private Limited on June 1, 2005, Mr. Bagga was the Chief Executive Officer of Kotak Mahindra Asset Management Company Limited.

Mr. Bagga is Chief Executive Officer of the AMC

### **Mr. Tridib U. Pathak**

42 years

B.Com., A.C.A

Mr. Tridib Pathak is having over 18 years of experience in equity research and fund management. Having started his career with IDBI, he moved to CARE, a rating agency, as a Senior Rating Analyst, later to UBS Securities (Subsidiary of Union Bank of Switzerland) as Associate Director- Research for 4 years and ASK Raymond James & Associates Ltd. as Senior Investment Analyst – Equity Research. Mr. Pathak was also Fund Manager - Equity with Principal Mutual Fund for 5 years. Prior to joining Lotus India Asset Management Company Private Limited, Mr. Pathak held the position of Chief Investment Officer with DBS Cholamandalam Asset Management Company.

Mr. Pathak is Chief Investment Officer – Equity in the AMC

### **Mr. Rajiv Shastri**

36 years

B.Com, CA

Mr. Shastri is a qualified Chartered Accountant with over 11 years of experience in asset management. His earlier experience includes assignments with ABN AMRO Asset Management Company Private Limited as Head – Fixed Income, HDFC Asset Management Company Private Limited as Head – Debt Markets and Birla Sun Life Asset Management Company Private Limited as Dealer – Fixed Income. At ABN AMRO AMC he was part of the of the start up team which launched the Indian mutual

fund operations. Also, he was associated with DSP Merrill Lynch Ltd and Asit C. Mehta Inv. Int. Ltd in the beginning of his career. Prior to joining Lotus India AMC, Rajiv was the Chief Executive Officer of Sahara Asset Management Company Private Limited.

Mr. Shastri is Head – Business Development & Strategic Initiatives in the AMC.

**Mr. Irwin D'souza**

44 years

B.Com, CAIIB – Part I

Mr. Irwin D'souza has over 21 years of experience in the Mutual Fund Industry. His earlier experience includes assignments with Unit Trust of India as Assistant Manager, Jardine Fleming India Asset Management Pvt. Ltd. as Manager – Fund Administration and Alliance Capital Asset Management India Pvt. Ltd as Vice President - Operations. Prior to joining Lotus India AMC, Mr. D'souza was the Chief Operating Officer of Quantum Asset Management Company Pvt. Ltd. where his primary responsibilities included setting up of the AMC and the Mutual Fund operations.

Mr. D'souza is the Chief Operating Officer & Chief Financial Officer of the AMC.

**Mr. Miten Chawda**

32 years

B.Com, ACS, LLB

Mr. Chawda has over 10 years of work experience in company secretarial and compliance areas. Having begun his career with Thomas Cook (India) Limited, he moved to Mehta & Mehta, a firm of practicing Company Secretaries. Mr. Chawda held the post of Company Secretary & Compliance Officer at Principal Pnb Asset Management Company Private Ltd. for 2 years. Prior to joining Lotus India Asset Management Company Private Limited in October 2005, Mr. Chawda held the post of Vice-President, Compliance & Company Secretary at Kotak Mahindra Asset Management Company Limited.

Mr. Chawda is the Head – Compliance and Company Secretary of the AMC

**Mr. Prashant Pandit**

38 years

B.E, PGDCS

Mr. Prashant Pandit has over 13 years of experience in the financial industry. He began his career with Sonata Software limited as Systems Administrator. Following this assignment he worked with Peregrine Capital India and then with Arthur Anderson, where he deployed IT solutions and designed and implemented networks. He then joined Prudential ICICI AMC as Manager Technology and was actively involved in setting up various branch networks of the organization and managing the IT infrastructure. Prior to joining

Lotus India Asset Management Company Private Limited, he headed the IT function of Principal Pnb Asset Management Company Private Limited, where he was responsible for all IT applications and networks connecting 15 plus branches.

Mr. Pandit is Head - Information Technology of the AMC.

**Mr. Govindprasad Gaonkar**

33 years

B.Sc. (Chemistry), PGDBM (HRD)

Mr. Govindprasad Gaonkar has over 7 years of experience in Human Resources and Administration and he had associated with companies like DSP Merrill Lynch, Kotak Mahindra Asset Management Company Limited, Kotak Securities Ltd and Zee Telefilms Ltd. Along with regular HR functions, Prasad's forte includes setting up training sessions for all his team members, personality development and team building exercises, as well as function specific soft skills.

Mr. Gaonkar is Head - Human Resources & Administration of the AMC.

**Mr. Umesh Sharma**

29 years

B.Com, ACA, ACS

Mr. Sharma is having over 6 years of experience in debt market. Having started his career with UTI Asset Management Company Pvt. Ltd as a Dealer in January 2000, he moved to JM Financial Asset Management Private Limited in June 2003. Prior to joining Lotus India Asset Management Company Private Limited in May 2006, Mr. Sharma was working with ICICI Bank Limited as Research Analyst.

Mr. Sharma is Fund Manager – Fixed Income in the AMC.

**Mr. Sailesh Jain**

27 Years

B. Com, MBA

Mr. Jain is having over 3 years of experience in Derivative Sales. He started his career with Refco-Sify Securities India Ltd in February 2003 on the Institutional Derivative Desk. Prior to joining Lotus India Asset Management Company Private Limited in August 2006, Mr. Jain was working with Brics Securities Ltd – Institutional Derivatives. Mr. Jain was instrumental in setting up the Institutional Derivative Desk at Brics Securities ltd.

Mr. Jain is Fund Manager – Derivatives & Dealer - Equity in the AMC.

**Mr. Nitish Sikand**

31 Years

B.Com, MBA (Finance)

Mr. Nitish Sikand has over 6 years of experience in Treasury Management, Debt Research and Product Development. Having started his career with Citicorp Maruti Finance Limited in May 2000, he moved to JM Financial Asset Management Private Limited in October 2004. Prior to joining Lotus India Asset Management Company Private Limited in April 2007, Mr. Sikand was working with ICICI Bank Limited where his primary responsibility was product development.

Mr. Sikand is Fund Manager – Fixed Income in the AMC.

**Other Members of the Fund Management are:**

**Ms. Sudha S. Purohit**

24 years

B.M.S, D.B.F

Ms. Purohit is a Bachelor of Management Studies and holds Diploma in Business Finance. She started her career with Lotus India AMC in May 2006 as a Trainee and has been with the AMC since then.

Ms. Purohit is Analyst – Fixed Income in the AMC for the Mutual Fund.

**Mr. Amit Ganatra**

27 years

B. Com, CA

Mr. Ganatra has over 4 years of experience in the financial services sector. Having started his career with CMIE (Centre For Monitoring Indian Economy) as an Analyst in April 2003, he moved to Fidelity Business Services Pvt. Ltd. as Sector Specialist responsible for equity research. His next assignment was with Fidelity India AMC in September 2005 as Executive- Compliance responsible for Investment compliance. Prior to joining Lotus India Asset Management Company Private Limited in January 2007, Mr. Ganatra was working with DBS Chola Asset Management Co. Pvt. Ltd. as Research Analyst where his responsibilities included equity research.

Mr. Ganatra is Research Analyst – Equity in the AMC for the Mutual Fund.

**Mr. Vinay Paharia**

28 years

BCom, MMS

Mr. Paharia is having over 5 years of experience in the financial services sector. Having started his career with First Global Stockbroking Pvt. Ltd as an Investment Analyst in June 2002, he moved to K. R. Choksey Shares and Securities Pvt Ltd as an Investment Analyst. Prior to joining Lotus India Asset Management Company Private Limited in January 2007, Mr. Paharia

was working with DBS Cholamandalam Asset Management Limited as Investment Analyst.

Mr. Paharia is Research Analyst - Equity in the AMC for the Mutual Fund.

**Mr. Gautam Kaul**

29 years

B.Com, MBA

Mr. Kaul has over 5 years of experience in fixed income dealing. He has started his career with Mata Securities India Private Limited. Prior to joining Lotus India Asset Management Company Private Limited, Mr. Kaul held the position of Debt Dealer with Sahara Asset Management Company.

Mr. Kaul is Dealer – Fixed Income in the AMC

**Mr. Deepak Subbarao**

36 years

B. E. (Mech), M.B.A – Finance

Mr. Rao has over 10 years of experience in the financial services sector. Having started his career with National Stock Exchange of India Ltd as a Senior Officer in June 1996, he moved to IL&FS as Assistant Manager. His next assignments were with Cholamandalam Investment & Finance Co. Ltd. as Manager Stock Broking and with HDFC Securities Limited as Senior Manager Institutional Equity. Prior to joining Lotus India Asset Management Company Private Limited in January 2007, Mr. Subbarao was working with Edelweiss Capital Ltd. as VP – Institutional Equity where his functional responsibilities included providing equity sales trading services to domestic institutional investors and select overseas clients.

Mr. Subbarao is Dealer – Equity in the AMC.

**Mr. Jalpan Shah**

28 years

PGDM, B.E (Mech)

Mr. Shah has over 3 years of experience in the Mutual Fund Industry. Prior to joining Lotus India Asset Management Company Private Limited in September 2007, Mr. Shah was working with UTI Asset Management Company Pvt. Ltd as Research Analyst – Fixed Income.

Mr. Shah is Research Analyst– Fixed Income in the AMC

**Mr. Chaitanya Choksi**

30 years

MMS, CFA

Mr. Choksi is having over 4 years of experience in equity research. Having started his career with UTI Investment Advisory Services as a Research Analyst – Equity in June 2001, he moved to IL&FS Investsmart Ltd. Prior to

joining Lotus India Asset Management Company Private Limited in March 2006, Mr. Choksi was working with Chanrai Finance Pvt. Ltd for six months as an Equity Research Analyst

Mr. Choksi is Equity Research Analyst in the AMC.

Presently all the key personnel are based in the corporate office of the AMC.

### **Fund Manager**

The Fund Manager of the Scheme is Mr. Umesh Sharma.

### **Compliance Officer**

The Compliance Officer of the Fund is Mr. Miten Chawda.

### **Investors Relations Officer**

The Investors Relations Officer for the Fund is Ms. Malati Majumdar and she may be contacted at the office of the AMC at Office No. 3, 4, 5 & 6, 7<sup>th</sup> Floor, Arcadia Building, 195 N.C.P.A Marg, Nariman Point, Mumbai – 400 021.

## **E. The Registrar and Transfer Agent**

Computer Age Management Services Private Limited, Registered Office being situated at A&B, Lakshmi Bhawan, 609, Anna Salai, Chennai – 600 006, has been appointed to act as registrar and transfer agent to the Scheme in accordance with the Registrar and Transfer Agent Agreement dated July 31, 2006. The Registrar is registered with SEBI under the SEBI (Registrar and Transfer Agents) Regulations, 1993 vide registration no. INR000002813. As registrar to the Scheme, the Registrar will handle the processing of all Unit Holders' Purchase / Redemption transactions, maintenance of their folio details, processing of dividends / commission payments, handling of investor servicing, etc. The boards of the Trustee and the AMC have satisfied that the Registrar has adequate capacity to discharge responsibilities with regard to processing of applications and dispatching unit certificates/account statements to unitholders within the time limit prescribed in the Regulations and also has sufficient capacity to handle investor complaints. The Registrar will be paid fees in accordance with the agreed terms and conditions and as estimated in the table pertaining to the recurring expenses in respect of the Scheme. Accordingly, the recurring expenses will be borne by the Unit Holders of the Scheme. The AMC has the right to change the Registrar in certain circumstances.

## **F. The Custodian**

Deutsche Bank AG, Mumbai has been appointed as custodian of the Scheme. The Custodian is registered with SEBI under the SEBI (Custodians of Securities) Regulations, 1996, vide registration number IN/CUS/003. The

Mutual Fund has entered into a Custody Agreement dated July 31, 2006, with the Custodian, whose principal responsibilities under the said Agreement are to:

- provide custodial services to the Mutual Fund;
- ensure that benefits due on the holdings are received;
- ensure segregation of assets between different Schemes of the Fund;
- provide detailed information and other reports as required by the AMC;
- maintain confidentiality of the transactions; and
- be responsible for any loss or damage to the assets belonging to the Scheme due to negligence on its part or on the part of its approved agents.

The Custodian shall not assign, transfer, hypothecate, pledge, lend, use or otherwise dispose of any assets or property of the Fund, except pursuant to instruction from the Trustee / AMC or under the express provisions of the Custody Agreement.

The Custodian will be entitled to remuneration for its services in accordance with the terms of the Custody Agreement and as estimated in the table pertaining to the recurring expenses in respect of the Scheme. Accordingly, the recurring expenses will be borne by the Unit Holders of the Scheme. The Trustee has the right to change the Custodian, in certain circumstances.

The AMC and the Trustees have satisfied themselves that none of the intermediaries are prohibited by SEBI from carrying on their respective activities.

#### **G. The Fund Accountant**

Deutsche Bank A G, Mumbai has been appointed as the fund accountant for the Scheme. Deutsche Bank A G provides fund accounting, NAV calculation and other related services in accordance with an Administration Agreement dated July 31, 2006 between the AMC and Deutsche Bank A G.

Deutsche Bank A G is entitled to remuneration for its services in accordance with the terms of the Administration Agreement and such remuneration will be borne by the AMC and not by the Unit Holders of the Scheme. The AMC has the right to change the fund accountant in certain circumstances.

## **H. The Auditors**

Price Waterhouse, Chartered Accountants, 222, Veer Savarkar Marg, Shivaji Park, Mumbai – 400 028 are the auditors appointed for the Fund. The audit fees for the Scheme will be borne by the Unit Holders as part of the recurring expenses of the Scheme. The Trustee has the right to change the Auditors.

## **I. The Collection Banks**

The Collection Banks to the NFO will be HDFC Bank Ltd. (SEBI registration no. INBI00000063) and such other banks registered with SEBI and authorised to act as collection banks. Applications for the NFO will be accepted at Designated Collection Centres.

## **V. INVESTMENT OBJECTIVES, INVESTMENT STRATEGY, INVESTMENT PATTERN AND RISK PROFILE AND LIMITATION OF THE SCHEME**

### **A. LOTUS INDIA MONTHLY INTERVAL FUND**

#### **1. Type of the Scheme**

The Scheme is Debt oriented Interval Scheme

#### **2. Investment Objective**

The objective of the scheme is to seek to generate income by investing in a portfolio of debt and money market instruments.

There can be no assurance that the investment objective of the Scheme will be realized.

#### **3. Investment Strategy**

The fund management team will endeavour to meet the investment objective while maintaining a balance between safety and return on investments.

The investment team of the AMC will carry out rigorous in depth credit evaluation of the money market and debt instruments proposed to be invested in. The credit evaluation includes a study of the operating environment of the issuer, the past track record as well as the future prospects of the issuer and the short term / long term financial health of the issuer.

#### **4. Investment Pattern and Risk Profile**

The corpus of each plan under the Scheme will be invested primarily in a range of debt and money market instruments.

Subject to the Regulations and other prevailing laws as applicable, the corpus of the Scheme can be invested in any (but not exclusively) of the following securities:

- 1) Securities created and issued by the Central, State and local governments and reverse repos in such government securities as may be permitted by RBI (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills);
- 2) Securities guaranteed by the Central and State Governments (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills);
- 3) Debt obligations of domestic government agencies and statutory bodies, which may or may not carry a Central / State Government guarantee;

- 4) Corporate debt (of both public and private sector undertakings);
- 5) Debt obligations of banks (both public and private sector) and financial institutions;
- 6) Money market instruments permitted by SEBI and / or RBI, having residual maturities of up to 1 year;
- 7) Certificate of Deposits (CDs);
- 8) Commercial Paper (CPs);
- 9) Bills of Exchange / Promissory Notes;
- 10) MIBOR related instruments;
- 11) Repurchase and reverse repurchase obligations in securities;
- 12) Derivative instruments like Interest Rate Swaps, Forward Rate agreements and such other derivative instruments as permitted by SEBI / RBI;
- 13) The non-convertible part of convertible securities;
- 14) Any other domestic fixed income securities including structured obligations;
- 15) Pass through, Pay through or other Participation Certificates representing interest in a pool of assets including receivables;
- 16) Any other instruments as may be permitted by RBI / SEBI / such other Regulatory Authorities from time to time.

The securities mentioned above could be listed, unlisted, privately placed, secured, unsecured, rated or unrated and of any maturity. The securities may be acquired through Initial Public Offerings (IPOs), secondary market operations and private placement, rights offers or negotiated deals.

The scheme may invest in other debt schemes managed by the AMC or in the debt schemes of any other mutual fund, provided it is in conformity to the investment objectives of the scheme and in terms of the prevailing regulations. As per the regulations, no investment management fee will be charged for such investments and the aggregate inter scheme investments made by all schemes of Lotus India Mutual Fund or in the schemes under the management of other Asset Management Companies shall not exceed 5% of the net asset value of the Lotus India Mutual Fund.

The asset allocation of each plan (via Plan A & Plan B) under the Scheme will be as follows:

<b>Investments</b>	<b>Indicative Allocation (% of net assets)</b>	<b>Risk Profile</b>
Money market instruments including Reverse Repo	0-100	Low
Government Securities issued by the Central Government	0-50	Low

and/or State Government(s)		
Debt Instruments such as Bonds and Debentures	0-100	Low to Medium
Securitized Debt (excluding foreign securitized debt)	0-50	Low to Medium

Investment in Derivatives – upto 50% of the net assets of the Scheme.

Each plan via Plan A & Plan B shall maintain separate portfolios.

### **Change in Investment Pattern**

Subject to the Regulations, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and that they can vary substantially depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the Unit holders. Such changes in the investment pattern will be of short term and for defensive considerations.

Provided further and subject to the above, any change in the asset allocation affecting the investment profile of the Schemes shall be effected only in accordance with the provisions of sub regulation (15A) of Regulation 18 of the Regulations, as detailed later in this document.

### **5. Benchmark**

The Benchmark index for each plan under the Scheme is CRISIL Liquid Fund Index.

### **6. Underwriting**

The Scheme does not propose to underwrite securities of other issuers.

### **7. Securities lending by the Mutual Fund**

If permitted by SEBI under Regulations/guidelines, the Scheme may also engage in securities lending. The AMC shall comply with all reporting requirements and the Trustee shall carry out periodic review as required by SEBI guidelines. Securities lending means the lending of stock to another person or entity for a fixed

period of time, at a negotiated compensation. The securities lent will be returned by the Borrower on expiry of the stipulated period.

The Investment Manager will apply the following limits, should it desire to engage in securities lending:

- Not more than 20% of the net assets of the Scheme can generally be deployed in securities lending; and
- Not more than 5% of the net assets of the Scheme can generally be deployed in securities lending to any single counter party.

Various risk associated with scrip lending, such as counter – party risks, liquidity and other market risks are described under risk factors of this document.

## **8. Exposure to Derivatives**

Derivatives 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 fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund 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.

The Scheme does not intend to invest in equity derivatives.

### **Hedging & Portfolio balancing**

The Scheme may invest in permitted derivative instruments. As per existing Regulations, such investments in Interest Rate Swaps and other derivative instruments will be used with the objective of a) hedging the portfolio and/or b) rebalancing of the portfolio of the Scheme.

The Fund will be allowed to take exposure in Interest Rate Swaps only on a non-leveraged basis. A swap will be undertaken only if there is an underlying asset in the portfolio. In terms of Circular No. MFD.BC.191/07.01.279/1999-2000 and MPD.BC.187/07.01.279/1999-2000 dated November 1, 1999 and July 7, 1999 respectively issued by Reserve Bank of India permitting participation by Mutual Funds in Interest Rate Swaps and Forward Rate Agreements, the fund will use derivative instruments for the purpose of hedging and portfolio balancing.

Further, the guidelines issued by Reserve Bank of India from time to time for forward rate agreements and interest rate swaps and other derivative products would be adhered to by the mutual fund. The following information provides a basic idea as to the nature of the derivative instruments proposed to be used by the Fund and the benefits and risks attached therewith. Please note that the examples have been given for illustration purposes only.

### **Interest Rate Swaps (IRS)**

An IRS is an agreement between two parties to exchange stated interest obligations for an agreed period in respect of a notional principal amount. The most common form is a fixed to floating rate swap where one party receives a fixed (pre-determined) rate of interest while the other receives a floating (variable) rate of interest.

### **Forward Rate Agreement (FRA)**

A FRA is basically a forward starting IRS. It is an agreement between two parties to pay or receive the difference between an agreed fixed rate (the FRA rate) and the interest rate (reference rate) prevailing on a stipulated future date, based on a notional principal amount for an agreed period. The only cash flow is the difference between the FRA rate and the reference rate. As is the case with IRS, the notional amounts are not exchanged in FRAs.

The fund shall adhere to the following guidelines for trading in derivatives:

- The Fund shall restrict the trading in derivatives only to hedging and portfolio balancing purposes;
- The Fund shall be required to fully cover its positions in the derivatives market by holding underlying securities/cash or cash equivalents and/or obligation for acquiring underlying assets to honour the obligations contracted in the derivatives market.
- Separate records shall be maintained for holding the cash and cash equivalents/securities for this purpose.
- The securities held shall be marked to market by the AMC to ensure full coverage of investments made in derivative products at all time.

### **Example of a derivatives transaction**

#### **Basic Structure of a Swap**

Bank A has a 6 month Rs. 10 Crores liability, currently being deployed in call. Bank B has a Rs. 10 Crores 6 month asset, being funded through call. Both banks are running an interest rate risk.

To hedge this interest rate risk, they can enter into a 6 month MIBOR (Mumbai Inter Bank Offered Rate) swap. Through this swap, A will receive a fixed pre agreed rate (say 7%) and pay “call” on the NSE MIBOR (“the benchmark rate”). Bank A’s paying at “call” on the benchmark rate will hedge the interest rate risk of lending in call. B will pay 7% and receive interest at the benchmark rate. Bank A’s receiving of “call” on the benchmark rate will hedge his interest rate risk arising from his call borrowing.

**The mechanism is as follows:**

- Assume the swap is for Rs.10 Crores March 1, 2005 to September 1, 2005. A is a fixed rate receiver at 7% and B is a floating rate receiver at the overnight compounded rate.
- On March 1, 2005, A and B will exchange only an agreement of having entered this swap. This documentation would be as per International Swaps and Derivatives Association (ISDA).
- On a daily basis, the benchmark rate fixed by NSE will be tracked by them. On September 1, 2005 they will calculate the following:
  - A is entitled to receive interest on Rs.10 Crores at 7% for 184 days i.e. Rs. 35.28 lakh, (this amount is known at the time the swap was concluded) and will pay the compounded benchmark rate.
  - B is entitled to receive daily compounded call rate for 184 days & pay 7% fixed.
  - On September 1, 2005, if the total interest on the daily overnight compounded benchmark rate is higher than Rs. 35.28 lakhs, A will pay B the difference. If the daily compounded benchmark rate is lower, then B will pay A the difference.
  - Effectively, Bank A earns interest at the rate of 7% p.a. for six months without lending money for 6 months fixed, while Bank B pays interest @ 7% p.a. for 6 months on Rs. 10 Crores, without borrowing for 6 months fixed.

As per above said RBI circulars, mutual funds are permitted to do Interest Rate Swaps/Forward Rate Agreements, for hedging purposes only. Accordingly, the AMC would undertake the same for similar purposes only. IRS and FRAs do also have inherent credit and settlement risks. However, these risks are substantially reduced as they are limited to the interest streams and not the notional principal amounts.

Investments in derivatives will be in accordance with the extant SEBI regulations / guidelines. Presently derivatives shall be used

for hedging and / or portfolio balancing purposes, as permitted under the Regulations. Investment in derivatives will be made in line with extant SEBI regulations. Such transactions would be carried out only for hedging and portfolio rebalancing. The circumstances under which such transactions would be entered into would be when, using the IRS route it is possible to generate better returns / meet the objective of the scheme at a lower cost. For e.g. if buying a 2 Yr Mibor based instrument and receiving the 2 Yr swap rate yields better return than the 2 Yr AAA corporate, the scheme would endeavor to do that. Alternatively, the scheme would also look to hedge existing fixed rate positions if the view on interest rates is that it would likely rise in the future.

**Risk Factors:**

- i. Credit Risk: The credit risk is the risk that the counter party will default obligations and is generally negligible, as there is no exchange of principal amounts in a derivative transaction.
- ii. Market risk: Derivatives carry the risk of adverse changes in the market price.
- iii. Illiquidity risk: The risk that a derivative cannot be sold or purchased quickly enough at a fair price, due to lack of liquidity in the market.
- iv. The fund pays the daily compounded rate. In practice however there can be a difference in the actual rate at which money is lent in the call market and the benchmark, which appears and is used.

**9. Position of Debt Markets in India**

The debt market in India is well developed. The largest market consists of the Government of India securities daily trading in which exceed Rs.3000 crores with instruments tenors ranging from short dated Treasury Bills to long dated securities extending beyond 20 years. The Government securities market not only provides resources to the Government for meeting its short term and long term needs but also acts as the benchmark for pricing corporate papers of varying maturities. The Government Securities market includes the dated securities issued by the government, both central and state and T-bills of all maturities.

The Corporate bond market is also fast developing with greater number of corporates accessing the markets through MIBOR linked bonds, commercial paper issuances and medium to long dated fixed and floating rate bonds. The yield curve tends to be positive sloping i.e. yield of shorter dated securities being lower than that of longer dated ones.

Current Yield Range as on April 13, 2007

Instrument	Current Yield (% per annum)
91 Days Treasury Bills	7.25-7.35

364 Days Treasury Bills	7.75-7.85
P1+ Commercial Paper-90 days	9.95-10.10
Certificate of Deposit-90 days	9.85-10.00
1 Year corporate Bond	10.40-10.50
5 year corporate bond	10.25-10.35

These yields are only indicative and interest rates are susceptible to fluctuations and are sensitive to various Macro Economic and political Factors.

## **B. Fundamental Attributes**

In terms of the Regulations and SEBI circular dated February 4, 1998, "Fundamental Attributes" referred above shall mean:

- i) Type of Scheme, i.e. Debt oriented Interval Scheme;**
- ii) Investment Objectives, Investment Strategy, Investment Pattern;**
- iii) Terms of Issue relating to listing, Redemption, fees, expenses**

In accordance with Regulation 18(15A) of the Regulations, the Trustee shall ensure that no change in the fundamental attributes of the Scheme or the Fund or the fees and expenses payable or any other change which would modify the Scheme and affect the interest of the Unit Holders, will be carried out unless:

- (i) a written communication about the proposed change is sent to each Unit Holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a Marathi daily newspaper with wide circulation published in Mumbai (as the head office of the Fund is situated there); and
- (ii) the Unit Holders are given an option to exit at the prevailing NAV without any Exit Load.

## **C. Borrowing Powers**

Under the Regulations, the Fund is allowed to borrow to meet the temporary liquidity needs of the Scheme for the purpose of repurchase, Redemption of Units or payment of interest or dividend to the Unit Holders. Further, as per Regulations, the Fund shall not borrow more than 20% of the net assets of the Scheme and the duration of such borrowing shall not exceed a period of 6 months. The Fund may enter into necessary arrangements with banks /financial institutions for borrowing purposes. The Scheme may bear the interest charged on such borrowing.

**D. Investment in the Scheme by the AMC, Sponsor or their affiliates**

Subject to the Regulations the AMC, the Sponsor, the Trustee and their associates or affiliates, may invest either directly or indirectly in the Scheme during the NFO. However, AMC shall not charge any investment management and advisory services fee on its own investment in the Scheme.

**E. Procedure and Recording of Investment Decisions**

All investment decisions, relating to the Scheme, will be undertaken by the AMC in accordance with the Regulations and the investment objectives specified in this Offer Document. All investment decisions taken by the AMC in relation to the corpus of the Scheme shall be recorded.

With regard to investment in fixed income instruments, a detailed research report shall be prepared and the same will be put to the Chief Executive Officer (CEO) for approval by the Chief Investment Officer – Debt (CIO – D)/Fund Manager (FM)/Research Analyst (RA). For investment into the debt securities of companies for which there is a pre existing Research Report that is not dated more than six months from the day of the proposed investment, the investment can be made by the FM directly. However, if the Research Report is dated more than six months without any subsequent update then a fresh report will required (same process as mentioned above will have to be followed) for making an investment into the debt security of the Company.

It is the responsibility of the AMC to ensure that the investments are made as per the internal / Regulatory guidelines, Scheme investment objectives and in the best interest of the Unitholders of the respective Scheme. The Fund may follow internal guidelines as approved by the Board of the AMC and the Trustees from time to time.

The performance of the scheme shall be benchmarked against CRISIL Liquid Fund Index. The performance of all schemes of the mutual fund shall be reviewed by Investment Committee comprising the CEO / CFO / CIO (E) / CIO(D) / FM's on predetermined intervals as may be decided by the Investment Committee.

A Performance review will also be placed before the Board of Directors of the Company and the Board of Trustees on a quarterly basis or sooner as may be required under law, detailing the performance of the scheme over the previous quarter / relevant period relative to peer group schemes and the relevant benchmark indices.

## **F. Portfolio Turnover**

The scheme is a debt oriented interval scheme. It is expected that there would be a number of subscriptions and redemptions on a daily basis. Consequently, it is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolio.

## **G. Investment Restrictions**

As per the Trust Deed read with the Regulations, the following investment restrictions apply in respect of the Scheme at the time of making investments. **However, all investments by the Scheme will be made in accordance with the investment objective, investment strategy and investment pattern described previously.**

- 1) The Scheme shall not invest more than 15% of its NAV in debt instruments issued by a single issuer which are rated not below investment grade by a credit rating agency authorised to carry out such activity under the Act. Such investment limit may be extended to 20% of the NAV of the Scheme with the prior approval of the Board of Trustees and the Board of the AMC.

Provided that such limit shall not be applicable for investments in government securities and money market instruments.

Provided further that investment within such limit can be made in mortgaged backed securitised debts which are rated not below investment grade by a credit rating agency registered with SEBI

- 2) The Scheme shall not invest more than 10% of its NAV in unrated debt instruments issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the Scheme. All such investments shall be made with the prior approval of the Board of Trustees and the Board of the asset management company.
- 3) Debentures, irrespective of any residual maturity period (above or below one year), shall attract the investment restrictions as applicable for debt instruments as specified under Clause 1 and 1 A of Seventh Schedule to the Regulations.
- 4) The Fund under all its schemes shall not own more than 10% of any company's paid up capital carrying voting rights.
- 5) Transfers of investments from one scheme to another scheme in the Fund shall be made only if, -
  - (a) such transfers are done at the prevailing market price for quoted instruments on spot basis.

Explanation - "spot basis" shall have the same meaning as specified by stock exchange for spot transactions.

- (b) the securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.
- 6) The Scheme may invest in another scheme under the same AMC or any other mutual fund without charging any fees, provided that aggregate inter-scheme investment made by all schemes under the same management or in schemes under the management of any other asset management company shall not exceed 5% of the net asset value of the Fund.
- 7) Every mutual fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities.

Provided that a mutual fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by the Board:

Provided further that a mutual fund may enter into derivatives transactions in a recognized stock exchange, subject to the framework specified by the Board

- 8) The Fund shall, get the securities purchased or transferred in the name of the Fund on account of the Scheme, wherever investments are intended to be of long term nature.
- 9) Pending deployment of funds of a scheme in terms of investment objectives of the scheme, a mutual fund may invest them in short term deposits of schedule commercial banks, subject to such Guidelines as may be specified by the Board.
- 10) The Scheme shall not make any investment in;
  - a) any unlisted security of an associate or group company of the Sponsor; or
  - b) any security issued by way of private placement by an associate or group company of the Sponsor; or
  - c) the listed securities of group companies of the Sponsor which is in excess of 25% of the net assets.
- 11) The Scheme shall not make any investment in any fund of funds scheme.

The Trustee may alter the above restrictions from time to time to the extent that changes in the Regulations may allow and as deemed fit in the general interest of the Unit Holders.

## **H. Investment of Subscription Money**

The AMC, on the receipt of the minimum subscription amount, can commence investment of the funds received in accordance with the investment objective of the Scheme. Alternatively, it may deploy the amounts received in subscription as term deposits with Banks in compliance with the SEBI circular no. SEBI/IMD/CIR No. 1/91171/07 dated April 16, 2007 or in the units of Mutual Funds. The income earned from such investments / deposits will be merged with the income of the Scheme on completion of the allotment of the Units.

## **I. Computation of Net Asset Value**

The Net Asset Value of the Units of a Scheme will be computed by dividing the net assets of the Scheme by the number of Units outstanding on the valuation date. The Scheme shall value its investments according to the valuation norms, as specified in Schedule VIII of the Regulations, or such norms as may be prescribed by SEBI from time to time.

The broad valuation norms pertaining to the Scheme are detailed below.

### **Valuation Norms**

#### **1 Traded Securities**

- (i) Traded securities are valued at the last quoted closing price on the National Stock Exchange of India (NSE). If a particular security is not listed on the NSE, it is valued at the last quoted closing price on the stock exchange where it is principally traded ("another stock exchange").
- (ii) When on a particular Valuation Day, a security listed on the NSE has not been traded on the NSE, the value at which it has been traded on another stock exchange is used.

When an equity 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 30 days prior to the Valuation Day.

When a debt security (other than Government securities) 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 15 days prior to the valuation date.

When a debt security (other than Government securities) is purchased by way of private placement, the value at which it was bought may be used for a period of 15 days beginning from the date of purchase.

- (iii) All Government bonds are to be valued at the prices provided by CRISIL.COM on a daily basis. In the event of nonavailability of the CRISIL.COM's prices for any reason whatsoever prices released by FIMMDA will be used. When prices from both the aforesaid sources are not available, Reuters or Bloomberg price quotes (bid price quotes) will be used, failing which the average of the indicative bid price quotes obtained from two Government securities brokers will be used.

Traded Treasury Bills (T-Bills) are to be valued at last traded yield to maturity (YTM) for next 15 days and are to be amortized at YTM on a straight-line basis from that level.

## **2 Thinly traded/non-traded Debt securities**

### **(i) Thinly Traded Debt Securities**

A debt security (other than Government Securities) shall be considered as a thinly traded if on the valuation date, there are no individual trades in that security in marketable lots (currently Rs. 5 crore) on the principal stock exchange or any other stock exchange.

A thinly traded debt security as defined above would be valued as per the norms set for non-traded debt security.

### **(ii) Non-traded / Thinly Traded Debt Securities**

#### **a. Upto 182 days to Maturity**

As the money market securities are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments) a similar process should be adopted for non-traded debt securities with residual maturity of upto 182 days, in the absence of any other standard benchmarks in the markets.

Debt securities purchased with residual maturity period upto 182 days are to be valued at cost (including accrued interest till the beginning of the day) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument.

In case of a debt security with maturity greater than 182 days at the time of purchase, the last valuation price plus accrued interest should be used instead of purchase cost.

All other non-traded Non-Government debt instruments shall be valued using the method suggested in (ii)(b) below.

**b. Over 182 days to Maturity**

For the purpose of valuation, all the Non-traded debt securities would be classified into “Investment grade” and “Non-investment grade” securities based on their credit ratings. The non-investment grade securities would further be classified as “Performing” and “Non-Performing” assets.

- All Non-Government investment grade debt securities, classified as non-traded, shall be valued on yield to maturity basis as defined in the applicable SEBI circular.
- All Non-Government non-investment grade debt securities, classified as non-traded, shall be valued at a discount of 25% to the face value.
- All Non-Government non-investment grade non-performing debt securities would be valued based on the provisioning norms.

**(iii) Non-traded T-Bills**

Non-traded T-Bills with residual maturity up to 182 days (not traded for more than 15 days or one which would qualify as a thinly traded security), will be valued on straight-line amortization of last traded YTM or purchased YTM.

Non-traded T-Bills with residual maturity greater than 182 days (not traded for more than 15 days or one which would qualify as a thinly traded security), will be valued at the average of the indicative bid YTM obtained from two Government security brokers failing which at prices provided by FIMMDA or REUTERS or Bloomberg price quotes

**3. Valuation of Convertible debentures and bonds**

The non-convertible and convertible components of convertible debentures and bonds shall be valued separately. The non-convertible component would be valued on the same basis as would be applicable to a debt instrument. The convertible component shall be valued on the same basis as would be applicable to an equity instrument. If, after conversion the resultant equity instrument would be traded pari passu with an existing instrument which is traded, the value of later instrument can be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding conversion. While valuing such instruments, the fact whether the conversion is optional will also be factored in.

#### **4. Valuation of Warrants**

In respect of warrants to subscribe attached to instruments, the warrants would be valued at the value of the share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant. A discount similar to the discount to be determined in respect of convertible debentures shall be deducted to account for the period, which must elapse before the warrant can be exercised.

#### **5. Money Market Securities (including Collateralised Borrowing and Lending Obligations)**

While investments in Call money, Bills purchased under rediscounting plan, Collateralised Borrowing & Lending Obligation and short term deposits with banks shall be valued at cost plus accrual; other money market instruments shall be valued at the yield at which they are currently traded. For this purpose, non-traded money market instruments i.e. instruments not traded for a period of 7 days, will be valued at cost plus accrued interest till the beginning of the Valuation Day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments.

#### **6. Valuation of “Repo”**

Where an instrument has been bought on a 'Repo' basis, the instrument would be valued at the resale price after deduction of applicable interest upto the date of resale. Where an instrument has been sold on a 'Repo' basis, adjustment would be made for the difference between the repurchase price (after deduction of applicable interest up to date of repurchase) and the value of the instrument. If the repurchase price exceeds the value of the instrument, the depreciation would be provided for, and if the repurchase price is lower than the value of the instrument, credit would be taken for the appreciation.

#### **7. Valuation of securities with Put/Call option**

The option embedded securities would be valued as follows:

##### ***Securities with Call Option:***

The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option.

In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.

***Securities with Put Option:***

The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option.

In case there are multiple put options, the highest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.

***Securities with both Put and Call option on the same day:***

The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

**8. Valuation of Derivative products**

- (i) The traded derivatives shall be valued at market price in conformity with the stipulations of sub clause (i) to (v) of clause 1 of the Eighth Schedule to the SEBI (Mutual Funds) Regulations, 1996.
- (ii) The valuation of unrated derivatives shall be done in accordance with the valuation method for unrated investments prescribed in sub clause (i) and (ii) of clause 2 of the Eighth Schedule to the SEBI (Mutual Funds) Regulations, 1996.

**9. Illiquid Securities**

- a. Aggregate value of 'illiquid securities' of scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be assigned zero value.
- b. All funds shall disclose as on March 31 and September 30 the scheme-wise total illiquid securities in value and percentage of the net assets while making disclosures of half yearly portfolios to the unit holders. In the list of investments, an asterisk mark shall also be given against all such investments, which are recognized as illiquid securities.
- c. Mutual Funds shall not be allowed to transfer illiquid securities among other schemes.
- d. In respect of closed ended funds, for the purpose of valuation of illiquid securities, the limits of 15% and 20% applicable to open-ended funds should be increased to 20% and 25% respectively.

**J. Accrual of expenses and income**

All expenses and income accrued up to the Valuation Day shall be considered for calculation of NAV. For this purpose, while major expenses like management fees and other periodic expenses would be accrued on a day to day basis, the minor expenses and income may not be so accrued, provided the non accrual does not affect the NAV calculations by more than 1%.

**K. Recording of changes**

Any changes in securities and in the number of Units will be recorded in the books not later than the first valuation date following the date of transaction. If this is not possible, given the frequency of NAV disclosure, the recording may be delayed up to a period of 7 days following the date of the transaction, provided as a result of such non-recording, the NAV calculations shall not be affected by more than 1%.

In case the Net Asset Value of a scheme differs by more than 1%, due to non - recording of the transactions, the investors or scheme/s as the case may be, shall be paid the difference in amount as follows:-

- (i) If the investors are given a price lower than Net Asset Value at the time of sale of their units, they shall be paid the difference in amount by the Scheme.
- (ii) If the investors are given higher Net Asset Value at the time of sale of their units, asset Management Company shall pay the difference in amount to the Scheme. The asset management company may recover the difference from the investors.

The valuation guidelines outlined above are within the parameters of the Regulations and are subject to changes from time to time by the AMC and / or the Trustee. However, such changes must be in conformity with the Regulations.

**L. Calculation of NAV**

The NAV of Units under the Scheme shall be calculated by either of the following methods shown below:

$$\text{NAV (Rs.)} = \frac{\text{Market or fair value of the Scheme's investments} + \text{Current Assets-Current Liabilities and Provisions}}{\text{No. of Units outstanding under the Scheme}}$$

Or

Unit Capital + Reserves and Surplus

$$\text{NAV (Rs.)} = \frac{\text{Unit Capital + Reserves and Surplus}}{\text{No. of Units outstanding under the Scheme}}$$

The NAV will be calculated for upto four decimal places for the Scheme.

The AMC will calculate and disclose the NAV on a daily basis. The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and such regulations as may be prescribed by SEBI from time to time.

The first NAV will be calculated and announced within a period of 30 days after the close of the NFO Period.

#### **M. Accounting Policies and Standards**

In accordance with the Regulations, the AMC will follow the accounting policies and standards detailed below.

- The AMC shall keep and maintain proper books of accounts, records and documents, for the Scheme so as to explain its transactions and to disclose at any point of time the financial position of the Scheme and, in particular, to give true and fair view of the state of affairs of the Fund.
- For the purposes of the financial statements, the Scheme shall mark all investments to market and carry investments in the balance sheet at market value. However, since the unrealised gain arising out of appreciation on investments cannot be distributed, provision shall be made for exclusion of this item when arriving at distributable income.
- Dividend income earned by the Scheme shall be recognized on the date on which the investment is quoted on an ex-dividend basis, not on the date on which the dividend is declared. For investments, which are not quoted on the stock exchange, dividend income shall be recognised on the date of declaration.
- In respect of all interest-bearing investments, income shall be accrued on a day to day basis as it is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date up to the date of purchase shall not be treated as a cost of purchase but shall be debited to interest recoverable account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale shall not be treated as an addition to sale value but shall be credited to interest recoverable account.

- In determining the holding cost of investments and the gains or loss on sale of investments, the "average cost" method shall be followed.
- 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. Where investment transactions take place outside the stock market (for example, acquisitions through private placement or purchases or sales through private treaty), the transaction 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.
- Bonus shares to which the Scheme becomes entitled shall be recognised only when the original shares to which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, rights entitlements shall be recognised only when the original shares on which the rights entitlement accrues are traded on the stock exchange on an ex-rights basis.
- Where income receivable on investments has accrued but has not been received for the period as specified in the SEBI guidelines for identification and provisioning for NPAs, provision shall be made by debiting to the revenue account the income so accrued in the manner specified in the SEBI guidelines for identification and provisioning for NPAs. Insofar as provision for the principal amount is concerned, the same shall be provided as specified in the aforesaid guidelines.
- When Units are sold, an appropriate part of the sale proceeds shall be credited to an equalisation account, and when Units are repurchased an appropriate amount shall be debited to equalisation account. The net balance on this account shall be credited or debited to the revenue account. The balance on the equalisation account debited or credited to the revenue account shall not decrease or increase the net income of the Scheme but shall only be an adjustment to the distributable surplus. It shall therefore be reflected in the revenue account only after the net income of the Scheme is determined.
- The cost of investments acquired or purchased shall include securities transaction tax, brokerage, stamp charges and any charge customarily included in the broker's bought note. In respect of privately placed debt instruments, any front-end discount offered shall be reduced from the cost of the investment.
- An asset shall be classified as "Non-Performing" if the interest and / or principal amount have not been received or

remained outstanding for three months from the day such income /installment has fallen due and relevant guidelines for identification and provisioning for non-performing assets for mutual fund will be applicable.

The accounting policies and standards outlined above are consistent with the current Regulations and are subject to changes made from time to time by the AMC and/or Trustee. However, such changes must be in conformity with the Regulations.

### **Guidelines for Identification and Provisioning for Non-performing Assets (Debt Securities) for Mutual Funds**

#### **A. Definition of a Non Performing Asset (NPA)**

An asset shall be classified as "Non-Performing" if the interest and / or principal amount have not been received or remained outstanding for three months from the day such income /installment has fallen due.

#### **B. Effective date for classification and provisioning of NPAs**

The definition of NPA may be applied after a quarter past due date of interest. For e.g. if the due date for interest is 30.06.2006, it will be classified as NPA from 01.10.2006.

#### **C. Treatment of income accrued on the NPA and further accruals**

After the expiry of the 1<sup>st</sup> quarter from the date the income has fallen due, there will be no further interest accrual on the asset i.e. if the due date for interest falls on 30.06.2006 and if the interest is not received, accrual will continue till 30.09.2006 after which there will be no further accrual of income.

On classification of the assets as NPA, from a quarter past due date of interest, all interest accrued and recognized in the books of accounts of the Scheme till the date, should be provided for. For e.g. in above case full provision will be made for interest accrued and outstanding as on 30.09.2006.

#### **D. Provision for NPAs – Debt Securities**

Both secured and unsecured investments once they are recognized as NPA call for provisioning in the same manner and where these are related to close ended scheme the phasing would be such that to ensure full provisioning prior to the closure of the scheme or the scheduled phasing which ever is earlier.

The value of the asset must be provided in the following manner or earlier at the discretion of the fund. Fund will not have discretion to extend the period of provisioning. The provisioning against the principal amount or installments should be made at the following rates irrespective of whether the principal is due for repayment or not.

- 10% of the book value of the asset should be provided for after 6 months past due date of interest i.e. 3 months from the date of classification of the asset as NPA.
- 20% of the book value of the asset should be provided for after 9 months past due date of interest i.e. 6 months from the date of classification of the asset as NPA.
- Another 20% of the book value of the asset should be provided for after 12 months past due date of interest i.e. 9 months from the date of classification of the asset as NPA.
- Another 25% of the book value of the asset should be provided for after 15 months past due date of interest i.e. 12 months from the date of classification of the asset as NPA.
- The balance 25% of the book value of the asset should be provided for after 18 months past due date of interest i.e. 15 months from the date of classification of the asset as NPA.

Book value for the purpose of provisioning for NPAs shall be taken as a value determined as per the prescribed valuation method.

#### **E. Reclassification of assets**

Upon reclassification of assets as ‘performing’ assets:

1. In case a company has fully cleared all the arrears of interest, the interest provisioning can be written back in full.
2. The asset will be reclassified as ‘performing’ on clearance of all interest arrears and if the debt is regularly serviced over the next two quarters.
3. In case a company has fully cleared all the arrears of interest, the interest not accrued on accrual basis would be credited at the time of receipt.
4. The provision made for the principal amount can be written back in following manner:
  - 100% of the asset provided for in the books will be written back at the end of 2<sup>nd</sup> quarter where the provision of principal was made due to the interest defaults only.
  - 50% of the asset provided for in the books will be written back at the end of 2<sup>nd</sup> quarter and 25% after every subsequent quarter where both installments and interest were in default earlier.
5. An asset is reclassified as ‘standard asset’ only when both overdue interest and overdue installments are paid in full and there is satisfactory performance for a subsequent period of 6 months.

#### **F. Receipt of past dues**

When the Fund has received income/ principal amount after their classification as NPAs;

For the next 2 quarters, income should be recognized on cash basis and thereafter on accrual basis. The asset will be continued to be classified as NPA for these two quarters.

During this period of two quarters although the asset is classified as NPA no provision needs to be made for the principal if the same is not due and outstanding.

If part payment is received towards principal, the asset continues to be classified as NPA and provisions are continued as per the norms set at (D) above. Any excess provision will be written back.

Some of the investments made by Mutual Funds may become NPA or illiquid at the time of maturity / closure of schemes. In due course of time, these NPAs and illiquid securities may be realized by the Mutual Fund i.e. after the winding up of the scheme. Such amount would be distributed, if it is substantial and is realized within two years, to the old investors. In case the amount is not substantial or it is realized after two years, it may be transferred to the Investor Education Fund maintained by each Mutual Fund as specified in SEBI circular MFD/CIR/9/120/2000 dated November 24, 2000. The decision as to the determination of substantial amount shall be taken by the trustees of the Mutual Funds after considering the relevant factors.

#### **G. Classification of Deep Discount Bonds as NPAs**

Investments in Deep Discount Bonds can be classified as NPAs, if any two of the following conditions are satisfied.

- If the rating of the Bond comes down to grade 'BB' or below.
- If the company is defaulting in their commitments in respect of other assets, if available.
- Full Net worth erosion.

Provision should be made as per the norms set at (D) above as soon as the asset is classified as NPA. Full provision can be made<sup>3</sup> if the rating comes down to grade 'D'.

#### **H. Re-schedulement of an asset**

In case any company defaults either interest or principal amount and the fund has accepted a re-schedulement of the schedule of payments, then the following practice may be adhered to:

- (i) In case it is a first re-schedulement and only interest is in default, the status of the asset namely 'NPA' may be continued and existing provisions should not be written back. The practice should be continued for two quarters of regular servicing of the debt. Thereafter, this be classified as 'performing asset' and the interest provided may be written back.
- (ii) If the re-schedulement is done due to default in interest and principal amount, the asset should be classified as NPA for a period of 4 quarters, even though the asset is continued to be serviced during these 4 quarters regularly. Thereafter, this be classified as 'performing asset' and the interest provided till such date should be written back.

(iii) If the re-schedulement is done for a second / third time or thereafter, the characteristic of NPA should be continued for 8 quarters of regular servicing of the debt. The provision should be written back only after it is reclassified as 'performing asset'.

**I. Disclosure in the Half Yearly Portfolio Reports**

The mutual fund shall make scripwise disclosures of NPAs on half yearly basis along with the half yearly portfolio disclosure.

The total amount of provisions made against the NPAs shall be disclosed in addition to the total quantum of NPAs and their proportion of the assets of the mutual fund scheme. In the list of investments an asterisk mark shall be given against such investments, which are recognized as NPAs. Where the date of redemption of an investment has lapsed, the amount not redeemed shall be shown as 'Sundry Debtors' and not investment provided that where an investment is redeemable by installments that will be shown as an investment until all installments have become overdue.

## VI. LOAD, FEES AND EXPENSES

### A. Load Structure of the Scheme

The following entry and exit loads will be applicable to an investor purchasing units during NFO and the ongoing offer:

**Entry Load:** Nil

**Exit Load:**

if redeemed on specified transaction period	Nil
If redeemed on any time other than the specified transaction period	0.25%

The Trustee retains the right to change / impose an Entry/ Exit Load / CDSC, subject to the provisions below:

1. Any such enhancement / impositions would be chargeable only for prospective Purchases and Redemptions from such prospective Purchases (applying First in First Out basis).
2. The AMC shall arrange to display a notice in all the ISCs before changing the prevalent Load structure. An addendum detailing the changes in Load structure will be attached to Offer Documents and Application Forms. Unit Holders will be informed of changed / prevailing Load structures through various means of communication such as public notice and / or display at ISCs / Distributors' offices, on account statements, acknowledgements, investor newsletters, etc.
3. The Redemption Price will not be lower than 95% of the Applicable NAV.

All Loads / CDSC are intended to enable the AMC to recover expenses incurred for promotion or distribution and sales of the Units of the Scheme. All Loads including CDSC will be retained in the Scheme in a separate account and will be utilised to meet the distribution and marketing expenses. Any surplus amounts in this account may be credited to the Scheme whenever considered appropriate by the AMC.

## B. Fees and Expenses of the Scheme

As per the Regulations, the following fees and expenses can be charged to the Scheme:

### i) Initial issue expenses

As per SEBI Regulations, initial issue expenses shall not be charged to the Scheme.

### ii) Initial Issue Expenses of Existing Schemes

Scheme Name	New Fund Offer expenses (Rs. In Lakhs)		
	Total	Charged to the Scheme	Borne by the AMC
LILF	2.60	Nil	2.60
LITP	442.62	Nil	442.62
LILP	2.01	Nil	2.01
LIFMP– 16 M– Sr I	2.22	Nil	2.22
LIFMP– 15 M– Sr I	2.40	Nil	2.40
LIFMP– 3 M– Sr I	6.83	Nil	6.83
LIFMP– 3 M– Sr II	7.19	Nil	7.19
LIFMP– 3 M– Sr III	3.57	Nil	3.57
LIFMP– 14 M– Sr I	3.52	Nil	3.52
LIFMP– 3 M– Sr IV	3.80	Nil	3.80
LIFMP– 3 M– Sr V	2.16	Nil	2.16
LIFMP– 13	4.20	Nil	4.20

M- Sr I			
LIFMP- 13 M- Sr II	3.59	Nil	3.59
LIST	1.38	Nil	1.38
LICF	507.29	Nil	507.29
LIMCF	653.66	348.78	304.88
LIAF	15.40	Nil	15.40

### iii) Investment Management Fee

The AMC is entitled to an investment management fee at the rate of 1.25% per annum of the daily average net assets of the Scheme(s) outstanding in each financial year for the net assets up to Rs. 100 Crores and at the rate of 1.00% per annum of the daily average net assets of the Scheme(s) outstanding in each financial year for the net assets in excess of Rs. 100 Crores.

### iv) Recurring Expenses

The ongoing fees and expenses of operating the Scheme on an annual basis, and which shall be charged to the Scheme, are estimated to be as follows (each as a percentage per annum of the daily average net assets):

<b>Nature of Expense</b>	<b>% p.a. of Average daily net assets</b>
Investment Management and Advisory Fee	1.25
Trustee and Audit Fees	0.05
Custodian Fees	0.10
Registrar and Transfer Agent Fees	0.20
Marketing and Selling expenses	0.50
Other operating expenses	0.15
<b>TOTAL RECURRING EXPENSES</b>	<b>2.25</b>

The purpose of the above table is to assist the investor in understanding the various costs and expenses that the investor in the Scheme will bear directly or indirectly.

The above estimates for recurring expenses for the Scheme are based on the corpus size of Rs. 100 Crores, and may change to the extent assets are lower or higher.

These estimates have been made in good faith as per the information available to the AMC at the time of preparation of the offer document, and the AMC reserves the right to change the estimates, both inter se or in total, subject to prevailing Regulations.

The AMC may incur actual expenses which may be more or less than those estimated above under any head and / or in total. The AMC will charge the Scheme such actual expenses incurred, subject to the statutory limit prescribed in Regulation 52 of the Regulations, as given below. Any excess over these limits will be borne by the AMC.

#### **Maximum Recurring Expenses**

<b>Average daily net assets</b>	<b>Maximum, as a % of Average daily net assets</b>
First 100 Crores	2.25%
Next 300 Crores	2.00%
Next 300 Crores	1.75%
Balance assets	1.50%

Maximum Management Fee to be charged by the AMC:

<b>Average daily net assets</b>	<b>Maximum, as a % of Average daily net assets</b>
First 100 Crores	1.25%
Balance assets	1.00%

However, an additional Management Fee of up to 1% may be charged in case of a No-Load scheme.

### C. Condensed Financial Information

Condensed Financial Information as on April 13, 2007:

Historical Per Unit Statistics	LILF	LITP	LILP	LIFMP-16 M Sr-I	LIFMP-15 M Sr-I	LIFMP-3 M Sr-I
	April 01, 2007 to April 13, 2007	April 01, 2007 to April 13, 2007	April 01, 2007 to April 13, 2007	April 01, 2007 to April 13, 2007	April 01, 2007 to April 13, 2007	April 01, 2007 to April 13, 2007
<b>Date of Allotment</b>	17-Nov-2006	29-Dec-2006	18-Jan-2007	19-Jan-2007	12-Feb-2007	23-Feb-2007
<b>NAV at the beginning of the year / Date of Allotment:</b>						
Growth		9.06				
Dividend		9.06				
Retail - Dividend – Daily			10.0088			
Retail - Dividend – Weekly	10.0164		10.0169			
Retail - Dividend – Monthly			10.0673			
Retail - Growth	10.2685		10.1543	10.0969	10.0477	10.0946
Retail - Dividend				10.0969	10.0477	10.0000
Retail - Bonus						
Institutional - Dividend - Daily	10.0039		10.0088			
Institutional - Dividend - Weekly	10.0168		10.0176			
Institutional - Dividend - Monthly			10.0696			
Institutional - Growth	10.2819		10.1662	10.0982	10.0477	10.0948
Institutional - Dividend						10.0000
Institutional - Bonus						
Institutional Plus - Dividend - Daily	10.0039					
Institutional Plus - Dividend - Weekly	10.0169					
Institutional Plus - Dividend - Monthly						
Institutional Plus - Growth	10.2853					
<b>Net Income per unit (Rs.)</b>	0.0245	-0.09	0.0160	0.0303	0.0297	0.0371
<b>Dividend:</b>						
Retail - Dividend - Weekly	0.05879992		0.06180337			
Retail - Dividend - Daily			0.04364122			
Retail - Dividend - Monthly			0.06737536			
Institutional - Dividend - Daily	0.05589530		0.02445358			
Institutional - Dividend - Weekly	0.06091676		0.03197640			
Institutional - Dividend - Monthly			0.06526493			
Institutional Plus - Dividend - Daily	0.02903685					
Institutional Plus - Dividend - Weekly	0.03075511					
Institutional Plus - Dividend - Monthly						
<b>Transfer to reserves (if any) (Rs.In crores)</b>	-	-	-	-		
<b>NAV at the end of the year / period (Rs.)</b>						
Growth		9.29				

Dividend		9.29				
Retail - Dividend - Daily			10.0152			
Retail - Dividend - Weekly	10.0122		10.0158			
Retail - Dividend - Monthly			10.0263			
Retail - Growth	10.3030		10.1901	10.1067	10.0736	10.1345
Retail - Dividend				10.1067	10.0736	10.0396
Retail - Bonus			10.0044			
Institutional - Dividend - Daily	10.0029		10.0157			
Institutional - Dividend - Weekly	10.0126		10.0165			
Institutional - Dividend - Monthly	-		10.0277			
Institutional - Growth	10.3177		10.2050	10.1080	10.0736	10.1348
Institutional - Dividend						10.0396
Institutional - Bonus			-			
Institutional Plus - Dividend - Daily	10.0029					
Institutional Plus - Dividend - Weekly	10.0127					
Institutional Plus - Dividend - Monthly	-					
Institutional Plus - Growth	10.3215					
<b>Net Assets end of the year / period (Rs. In Crores)</b>	479.92	44.85	192.51	64.11	22.68	111.05
<b>Ratio of Recurring Expenses to Average Daily Net Assets (%) (Annualised)</b>	0.33%	2.50%	0.48%	0.93%	0.93%	0.35%
<b>Annualised Return (Since Inception)</b>						
Growth		-7.10%*				
Retail - Growth	7.47%		1.90%*	1.07%*	0.74%*	1.34%*
Institutional - Growth	7.84%		2.05%*	1.08%*	0.74%*	1.35%*
Institutional Plus Plan - Growth	7.93%					
<b>Benchmark Returns (Since Inception)</b>	7.88%	-3.16%*	2.11%*	1.14%*	0.83%*	1.00%*
<b>Benchmark Index</b>	CRISIL Liquid Fund Index	BSE 100	CRISIL Liquid Fund Index	CRISIL Short Term Bond Fund Index	CRISIL Short Term Bond Fund Index	CRISIL Short Term Bond Fund Index

Historical Per Unit Statistics	LIFMP-3 M Sr-II	LIFMP-3 M Sr-III	LIFMP-14 M Sr-I	LIFMP-03 M Sr-IV	LIFMP-13 M Sr-I	LIST
	April 01, 2007 to April 13, 2007	April 01, 2007 to April 13, 2007	April 01, 2007 to April 13, 2007	April 01, 2007 to April 13, 2007	April 01, 2007 to April 13, 2007	April 01, 2007 to April 13, 2007
<b>Date of Allotment</b>	28-Feb-2007	9-Mar-2007	14-Mar-2007	24-Mar-2007	24-Mar-2007	24-Mar-2007
<b>NAV at the beginning of the year / Date of Allotment:</b>						
Growth						

Dividend						
Retail - Dividend - Daily						
Retail - Dividend - Weekly						10.0225
Retail - Dividend - Monthly						10.0225
Retail - Growth	10.0796	10.0571	10.0486	10.0249	10.0254	10.0225
Retail - Dividend	10.0000	10.0000	10.0486	10.0247	10.0255	
Retail - Bonus						
Institutional - Dividend - Daily						10.0004
Institutional - Dividend - Weekly						
Institutional - Dividend - Monthly						
Institutional - Growth		10.0574	10.0498	10.0247	10.0263	10.0233
Institutional - Dividend	10.0000	10.0000		10.0247		
Institutional - Bonus						
Institutional Plus - Dividend - Daily						
Institutional Plus - Dividend - Weekly						
Institutional Plus - Dividend - Monthly						
Institutional Plus - Growth						
<b>Net Income per unit (Rs.)</b>	0.0354	0.0373	0.0324	0.0367	0.0429	0.0407
<b>Dividend:</b>						
Retail - Dividend - Weekly						0.08798109
Retail - Dividend - Daily						
Retail - Dividend - Monthly						
Institutional - Dividend - Daily						0.03217627
Institutional - Dividend - Weekly						
Institutional - Dividend - Monthly						
Institutional Plus - Dividend - Daily						
Institutional Plus - Dividend - Weekly						
Institutional Plus - Dividend - Monthly						
<b>Transfer to reserves (if any) (Rs.In crores)</b>						
<b>NAV at the end of the year / period (Rs.)</b>						
Growth						
Dividend						
Retail - Dividend - Daily						
Retail - Dividend - Weekly						10.0216
Retail - Dividend - Monthly						10.0740
Retail - Growth	10.1189	10.0970	10.0917	10.0643	10.0802	10.0719
Retail - Dividend	10.0390	10.0397	10.0917	10.0642	10.0803	
Retail - Bonus						
Institutional - Dividend - Daily						10.0138
Institutional - Dividend - Weekly						10.0111
Institutional - Dividend - Monthly						
Institutional - Growth		10.0975	10.0937	10.0642	10.0826	10.0763
Institutional - Dividend	10.0392	10.0399		10.0642		

Institutional - Bonus						
Institutional Plus - Dividend - Daily						
Institutional Plus - Dividend - Weekly						
Institutional Plus - Dividend - Monthly						
Institutional Plus - Growth						
<b>Net Assets end of the year / period (Rs. In Crores)</b>	117.04	112.69	40.67	120.22	33.68	24.11
<b>Ratio of Recurring Expenses to Average Daily Net Assets (%) (Annualised)</b>	0.35%	0.20%	1.86%	0.75%	0.16%	0.61%
<b>Annualised Return (Since Inception)</b>						
Growth						
Retail - Growth	1.19%*	0.97%*	0.92%*	0.64%*	0.80%*	0.72%*
Institutional - Growth		0.98%*	0.94%*	0.64%*	0.83%*	0.76%*
Institutional Plus Plan - Growth						
<b>Benchmark Returns (Since Inception)</b>	1.04%*	0.84%*	0.80%*	0.61%*	0.61%*	0.61%*
<b>Benchmark Index</b>	CRISIL Short Term Bond Fund Index	CRISIL Short Term Bond Fund Index	CRISIL Short Term Bond Fund Index	CRISIL Short Term Bond Fund Index	CRISIL Short Term Bond Fund Index	CRISIL Short Term Bond Fund Index

<b>Historical Per Unit Statistics</b>	<b>LI FMP-3 M Sr-V</b>	<b>LIFMP-13 M Sr-II</b>	<b>LICF</b>
	April 01, 2007 to April 13, 2007	April 01, 2007 to April 13, 2007	April 11, 2007 to April 13, 2007
<b>Date of Allotment</b>	30-Mar-2007	30-Mar-2007	11-Apr-2007
<b>NAV at the beginning of the year / Date of Allotment:</b>			
Growth			10.00
Dividend			10.00
Retail - Dividend - Daily			
Retail - Dividend - Weekly			
Retail - Dividend - Monthly			
Retail - Growth	10.0000	10.0000	
Retail - Dividend	10.0000	10.0000	
Retail - Bonus			
Institutional - Dividend - Daily			
Institutional - Dividend - Weekly			
Institutional - Dividend - Monthly			
Institutional - Growth	10.0000	10.0000	
Institutional - Dividend	10.0000		
Institutional - Bonus			

Institutional Plus - Dividend - Daily			
Institutional Plus - Dividend - Weekly			
Institutional Plus - Dividend - Monthly			
Institutional Plus - Growth			
<b>Net Income per unit (Rs.)</b>	0.0415	0.0431	0.01
<b>Dividend:</b>			
Retail - Dividend - Weekly			
Retail - Dividend - Daily			
Retail - Dividend - Monthly			
Institutional - Dividend - Daily			
Institutional - Dividend - Weekly			
Institutional - Dividend - Monthly			
Institutional Plus - Dividend - Daily			
Institutional Plus - Dividend - Weekly			
Institutional Plus - Dividend - Monthly			
<b>Transfer to reserves (if any) (Rs.In crores)</b>			
<b>NAV at the end of the year / period (Rs.)</b>			
Growth			10.10
Dividend			10.10
Retail - Dividend - Daily			
Retail - Dividend - Weekly			
Retail - Dividend - Monthly			
Retail - Growth	10.0502	10.0503	
Retail - Dividend	10.0502	10.0503	
Retail - Bonus			
Institutional - Dividend - Daily			
Institutional - Dividend - Weekly			
Institutional - Dividend - Monthly			
Institutional - Growth	10.0502	10.0513	
Institutional - Dividend	10.0502		
Institutional - Bonus			
Institutional Plus - Dividend - Daily			
Institutional Plus - Dividend - Weekly			
Institutional Plus - Dividend - Monthly			
Institutional Plus - Growth			
<b>Net Assets end of the year / period (Rs. In Crores)</b>	65.07	32.60	104.40
<b>Ratio of Recurring Expenses to Average Daily Net Assets (%) (Annualised)</b>	0.20%	0.17%	1.55%
<b>Annualised Return (Since Inception)</b>			
Growth			1.00%*
Retail - Growth	0.50%*	0.50%*	

Institutional - Growth	0.50%*	0.51%*	
Institutional Plus Plan - Growth			
<b>Benchmark Returns (Since Inception)</b>	0.51%*	0.51%*	1.39%*
<b>Benchmark Index</b>	CRISIL Short Term Bond Fund Index	CRISIL Short Term Bond Fund Index	BSE 500

\*Absolute Returns. Compounded Annualised Returns have not been shown as the above scheme has not completed one year since its launch/allotment.

#### D. Borrowing by the Mutual Fund

The Scheme wise details of borrowing by the Lotus India Mutual Fund as on April 13, 2007 is detailed below:

Name of the Fund	Source	Purpose	Date of Borrowing	Date of repayment of borrowing (period of borrowing)	Rate of Borrowing	Amount of borrowing (Rs. In Crores)	Amount of borrowing as % of Net Assets
LILF	Deutsche Bank	Redemption	26/12/2006	28/12/2006 (2 days)	7.25%	22.40	5.66%
LILF	Deutsche Bank	Redemption	27/12/2006	28/12/2006 (1 day)	7.25%	40.00	9.92%
LILF	Deutsche Bank	Redemption	03/01/2007	04/01/2007 (1 day)	7.59%	24.43	5.63%
LILF	Deutsche Bank	Redemption	04/01/2007	05/01/2007 (1 day)	7.59%	1.532	0.36%
LILF	Deutsche Bank	Redemption	15/01/2007	16/01/2007 (1 day)	7.21%	19.57	5.83%
LILF	Deutsche Bank	Redemption	16/01/2007	17/01/2007 (1 day)	7.21%	0.32	0.09%

## **VII. UNITS AND THE OFFER**

### **A. Units on Offer during the New Fund Offer (NFO)**

#### **1. Minimum Subscription Amount**

Each plan under the Scheme seeks to collect a minimum subscription amount of Rs. 50 Lakhs during the NFO Period. In the event this amount is not raised during the NFO Period, the amount collected under the Scheme will be refunded to the applicants as mentioned in paragraph "Processing of Application Forms during the NFO Period - Refunds".

There is no upper limit on the total amount to be collected under the Scheme during the NFO Period.

#### **2. NFO Price**

The Units under each plan can be purchased at Rs. 10 per Unit, plus the applicable Entry Load in the Scheme during the NFO Period.

Eg. For purchases attracting an Entry Load (2.25%), the Purchase Price = Rs. 10.225/-

For purchases not attracting Entry Load, the Purchase Price = Rs. 10/-

#### **3. NFO Period**

The NFO Period for the Scheme will be from the commencement of banking hours on [●] to the close of banking hours on [●].

#### **4. Extension of NFO Period**

The Trustee reserves the right to extend the closing date of the NFO Period, subject to the condition that the initial offer shall not be kept open for more than 30 days. Any such extension shall be announced by way of a notice in one national newspaper.

### **B. Units on Offer – General Information**

#### **1. Minimum Amount for applying in the Scheme**

The minimum amount required for opening a folio for each plan under the Scheme is Rs. 5,000/- and in multiples of Re. 1/-

Additional application for purchase of Units in the existing folio for each plan under the Scheme must be for a minimum amount of Rs. 1,000/- and in multiples of Re. 1/-

## **2. Plans/Options available under the Scheme**

The Scheme offer three plans via Plan A & Plan B. Each plan offers Growth and Monthly Dividend Reinvestment options.

**Growth option:** Under this option, income earned on the Scheme's corpus will remain invested in the Scheme and will be reflected in the Net Asset Value (NAV). Unitholders who opt for this Option will not receive any dividend in normal circumstances.

**If the investor does not clearly specify the choice of option at the time of investing, it will be treated as a Growth option.**

## **3. Cut-off Time and Applicable NAV**

The Cut-off time for the Scheme is 3 p.m., and the Applicable NAV will be as under:

### **For Purchase**

In respect of valid Purchase (alongwith necessary documents) applications accepted at an Official Point of Acceptance alongwith a local cheque or demand draft payable at par at the place where it is received up to 3 p.m. on Specified Transaction Period, the NAV of the day of receipt of application will be applicable.

Investors may note that purchase applications shall not be accepted after 3 p.m. on Specified Transaction Period.

### **For Redemption**

1. In respect of valid Redemption applications accepted at an Official Point of Acceptance up to 3 p.m. on a Business Day, the closing NAV of the day of receipt of application will be applicable.
2. In respect of valid Redemption applications accepted at an Official Point of Acceptance after 3 p.m. on a Business Day, the closing NAV of the next Business Day will be applicable.

### **For Switches**

Valid applications for 'switch-out' shall be treated as applications for Redemption and the provisions of the Cut-off time and the Applicable NAV mentioned in the Offer Document as applicable to Redemption shall be applied to the 'switch-out' applications. In case of 'switch' transactions from one scheme to another the allocation shall be in line with redemption payouts.

## **C. Purchase of Units**

### **1. Who can invest?**

Prospective investors are advised to satisfy themselves that they are not prohibited by any law governing such entity and any Indian law from investing in the Scheme and are authorized to purchase units of mutual funds as per their respective constitutions, charter documents, corporate / other authorizations and relevant statutory provisions. The following is an indicative list of persons who are generally eligible and may apply for subscription to the Units of the Scheme:

- Indian resident adult individuals, either singly or jointly (not exceeding three);
- Minor through parent / lawful guardian; (please see the note below)
- Companies, bodies corporate, public sector undertakings, association of persons or bodies of individuals and societies registered under the Societies Registration Act, 1860;
- Religious and Charitable Trusts, Wakfs or endowments of private trusts (subject to receipt of necessary approvals as required) and Private Trusts authorised to invest in mutual fund schemes under their trust deeds;
- Partnership Firms constituted under the Partnership Act, 1932;
- A Hindu Undivided Family (HUF) through its Karta;
- Banks (including Co-operative Banks and Regional Rural Banks) and Financial Institutions;
- Non-Resident Indians (NRIs) / Persons of Indian Origin (PIO) on full repatriation basis or on non-repatriation basis;
- Foreign Institutional Investors (FIIs) registered with SEBI on full repatriation basis;
- Army, Air Force, Navy and other para-military funds and eligible institutions;
- Scientific and Industrial Research Organisations;
- Provident / Pension / Gratuity and such other Funds;
- International Multilateral Agencies approved by the Government of India / RBI;
- The Trustee, AMC or Sponsor or their associates; and
- A Mutual Fund through its schemes, including Fund of Funds schemes.

Note: Minor Unit Holder on becoming major may inform the Registrar about attaining majority and provide his specimen signature duly authenticated by his banker as well as his details of bank account and PAN (if required) to enable the Registrar to update their records and allow him to operate the Account in his own right.

## **2. Who can't invest?**

**It should be noted that the following entities cannot invest in the scheme:**

1. Any individual who is a foreign national.
2. Overseas Corporate Bodies (OCBs) shall not be allowed to invest in the Scheme. These would be firms and societies which are held directly or indirectly but ultimately to the extent of at least 60% by NRIs and trusts in which at least 60% of the beneficial interest is similarly held irrevocably by such persons (OCBs.)
3. Non-Resident Indians residing in the Financial Action Task Force (FATF) Non Compliant Countries and Territories (NCCTs) (as on October 13, 2006 there are no countries as non co-operative).

The Fund reserves the right to include / exclude new / existing categories of investors to invest in the Scheme from time to time, subject to SEBI Regulations and other prevailing statutory regulations, if any.

Subject to the Regulations, any application for Units may be accepted or rejected in the sole and absolute discretion of the Trustee. For example, the Trustee may reject any application for the Purchase of Units if the application is invalid or incomplete or if, in its opinion, increasing the size of any or all of the Scheme's Unit capital is not in the general interest of the Unit Holders, or if the Trustee for any other reason does not believe that it would be in the best interest of the Scheme or its Unit Holders to accept such an application.

The AMC / Trustee may need to obtain from the investor verification of identity or such other details relating to a subscription for Units as may be required under any applicable law, which may result in delay in processing the application.

## **3. Purchase Price**

The Purchase Price of the Units is the price at which investors can Purchase Units of the Scheme. It will be calculated as described below:

Purchase Price = Applicable NAV x (1 + Entry Load)

Purchase Price will be calculated for up to four decimal places for the Scheme.

For example, if the Applicable NAV of the Scheme is Rs.10, and it has a 2.00% Entry Load, the Purchase Price will be calculated as follows:

Purchase Price = 10 x (1 + 2.00%) i.e. 10 x 1.0200 =10.200

If the Scheme has no Entry Load, the Purchase Price will be equal to the Applicable NAV.

The Scheme is an interval scheme and units of each plan of the scheme shall be available for subscription / switch-ins without any load on specified transaction period. The first specified transaction date would be the 30<sup>th</sup> day from the date of allotment. Subsequent specified transaction date would be 30<sup>th</sup> day from the previous specified transaction date. If the specified transaction date falls on a non-business day, the specified transaction date will be the next business day.

For details on Load structure for the Scheme, please refer Chapter - LOAD AND FEES AND EXPENSES.

#### **4. How to Apply?**

Application Forms / Transaction Slips for the Purchase of Units of the Scheme will be available at the ISCs / distributors. Applications filled up and duly signed by all joint investors should be submitted along with the cheque /draft / other payment instrument to a Designated Collection Centre. Please refer the paragraph "How to pay" below for details of payment.

AMC reserves the right to provide the facility of subscribing/ purchasing of units of the Scheme through an alternative mechanism including but not limited to online transactions on the Internet, as may be decided by the AMC from time to time. The alternative mechanism may also include electronic means of communication such as purchasing units online through the Website of the AMC or any other website etc. The alternative mechanisms would be applicable to only those investors who opt for the same in writing.

Applications should be made in adherence to the minimum amount requirements as mentioned in paragraph "Minimum Amount for applying in the Scheme".

It is mandatory for every applicant to provide the name of the bank, branch, address, account type and number as per SEBI requirements and any Application Form without these details will be treated as incomplete. Such incomplete applications will be rejected. The Registrar / AMC may ask the investor to provide a blank cancelled cheque or its photocopy for the purpose of verifying the bank account number.

Further, as per SEBI Circular dated April 27, 2007, Permanent Account Number (PAN) shall be the sole identification number for all participants transacting in the securities market including investing in mutual funds, irrespective of the amount of transaction with effect from July 2, 2007. SEBI has further clarified that the existing and potential investors who do not have PAN already, should apply for PAN immediately and furnish

evidence of having applied for PAN while transacting in mutual funds until December 31, 2007.

In view of the above, with effect from July 2, 2007, it is mandatory for all existing and prospective investors (including joint holders, guardians of minors and NRIs) to enclose a copy of PAN card duly verified or a copy of the evidence of having applied for PAN Card (until December 31, 2007) with the application for investing in mutual fund schemes

**Applications incomplete in any respect will be liable to be rejected.**

In order to protect investors from frauds, it is advised that the Application Form number / folio number and name of the first investor should be written overleaf the cheque / draft, before they are handed over to any courier / messenger / distributor /ISC.

In order to protect investors from fraudulent encashment of cheques, the Regulations require that cheques for Redemption of Units specify the name of the Unit Holder and the bank name and account number where payments are to be credited. Hence, all applicants for Purchase of Units must provide a bank name, bank account number, branch address, and account type in the Application Form.

## **5. How to Pay?**

All cheques / drafts must be drawn favouring "Lotus India Monthly Interval Fund". They should be crossed "Account Payee only". A separate cheque or bank draft must accompany each application.

Payment can be made by either

- Cheque;
- Direct Debit Instruction (with select banks); or
- a payment instrument (such as pay order, banker's cheque, etc.)

The cheque should be payable at a bank's branch, which is situated at and is a member of the Banker's Clearing House / Zone in the city where the application is submitted to a Designated Collection Centre.

An investor may invest through a distributor with whom the AMC has made an arrangement, whereby payment may be made through EFT / SEFT / RTGS / Wire Transfer or in any manner acceptable to the AMC, and is evidenced by receipt of credit in the bank account of the Fund.

The following modes of payment are not valid, and applications accompanied by such payments are liable to be rejected.

- Outstation cheques/drafts will not be accepted (i.e. if the cheques is payable at a bank's branch which does not participate in the local clearing mechanism of the city where the application is submitted)

- Cash, money orders or postal orders will not be accepted.

Applications accompanied by cheques / other remittances not fulfilling the above criteria are liable to be rejected.

Note: The AMC, at its discretion at a later date, may choose to alter or add other modes of payment.

### **Payment by NRIs, FIIs**

#### **(a) Repatriation Basis**

In the case of NRIs/PIOs, payment may be made either by inward remittance through normal banking channels or out of funds held in a Non - Resident (External) Rupee Account (NRE) / Foreign Currency (Non-Resident) Account (FCNR).

FIIs may pay their subscriptions either by inward remittance through normal banking channels or out of funds held in a Non-Resident Rupee Account maintained with the designated branch of an authorised dealer in accordance with the relevant foreign exchange management regulations.

#### **(b) Non-repatriation Basis**

In the case of NRIs, payment may be made either by inward remittance through normal banking channels or out of funds held in an NRE / FCNR / Non-Resident Ordinary Rupee Account (NRO).

### **Documents required to be submitted by NRIs alongwith the Application Form:**

- In case Indian rupee drafts are purchased abroad or from FCNR / NRE A/c., an account debit certificate from the Bank issuing the draft confirming the debit shall also be enclosed alongwith the Application Form.
- For subscriptions amounts remitted out of debit to the FCNR / NRE A/c., the Application form must be accompanied with a Account Debit Certificate confirming the account type and account number, issued by the Investor's banker(s).

## **6. Application under Power of Attorney**

An applicant wanting to transact through a power of attorney must lodge the photocopy of the PoA attested by a Notary Public or the original PoA (which will be returned after verification) within 7 Business Days of submitting the Application Form / Transaction Slip at a Designated Collection Centre. Applications are liable to be rejected if the power of attorney is not submitted within the aforesaid period.

## **7. Application by Non-individual investor**

In case of an application by a company, body corporate, society, mutual fund, trust or any other organisation not being an Individual, the following documents must be lodged along with the Application Form at the Designated Collection Centre:

### **i) Companies/Body Corporate.**

- Certified copy of the Board Resolution authorising investments/ disinvestments in Mutual Funds Schemes, certified by the Company Secretary / Authorised Signatory
- List containing names designation and specimen signatures of the signatories, authorised as per the above referred Board Resolution, duly attested by the bankers/ Company Secretary on the Company's letterhead
- Copy of the Memorandum and Articles of Association of the Company duly attested by the Company Secretary or any other authorised signatory
- Other relevant documents governing the statute (in case of Body Corporate not covered under the Companies Act, 1956)

### **ii) Partnership**

- Copy of the Partnership Deed duly attested by any of the partners
- Specimen Signatures of the partners attested by their bankers
- Copy of the Resolution, signed by the partners, authorising investments/ disinvestments in the Fund and corresponding operational procedures

### **iii) Trusts**

- Copy of the Trust Deed attested by the Trustees/ Secretary
- Copy of the Resolution passed by the Trustees authorising investments/ disinvestments in Mutual Fund Schemes, duly certified by the Trustees/ Secretary
- List of Trustees and the specimen signatures, authorised as per the above resolution, duly attested by the bankers/ Secretary of the Trust on the Trust's letterhead

### **iv) Co-operative Societies**

- Copy of the Registration Certificate attested by the Secretary/ office bearer of the society
- Copy of the Resolution authorising investments/ disinvestments in the Fund and corresponding operational procedures, duly attested by the Secretary/ office bearer of the society
- List of authorised signatories with designation & their specimen signatures, attested by the bankers

Further, the AMC may require that a copy of the incorporation deeds / constitutive documents (e.g. Memorandum and Articles of Association) be also submitted to the Registrar.

## **8. Mode of holding**

An application can be made by up to a maximum of three applicants. Applicants must specify the 'mode of holding' in the Application Form.

If an application is made by one Unit Holder only, then the mode of holding will be considered as 'First-named holder'.

If an application is made by more than one investors, they have an option to specify the mode of holding as either 'First-named holder' or 'Jointly' or 'Anyone or Survivor'.

**If an application is made by more than one investors, and the mode of holding is not specified in the application, then it will be treated that the mode of holding is 'Anyone or Survivor' and the application will be processed accordingly.**

If the mode of holding is specified as 'First-named holder', all instructions to the Fund would have to be signed by the First named Unit Holder only. The Fund will not be empowered to act on the instruction of the Second or Third Unit Holder in such cases.

If the mode of holding is specified as 'Jointly', all instructions to the Fund would have to be signed by all the Unit Holders, jointly. The Fund will not be empowered to act on the instruction of any one of the Unit Holders in such cases.

If the mode of holding is specified as 'Anyone or Survivor', an instruction signed by any one of the Unit Holders will be acted upon by the Fund. It will not be necessary for all the Unit Holders to sign.

In all cases, all communication to Unit Holders (including account statements, statutory notices and communication, etc.) will be addressed to the first-named Unit Holder. All payments, whether for redemptions, dividends, etc will be made favouring the first-named UnitHolder. The first-named Unit Holder shall have the right to exercise the voting rights associated with such Units as per the applicable guidelines.

Investors should carefully study paragraphs "Transmission of Units" and "Nomination Facility" below "Facilities Offered to Investors under the Scheme" before ticking the relevant box pertaining to the mode of holding in the Application Form.

## **9. Processing of application during NFO Period**

### **(i) Allotment**

Subject to the receipt of the specified minimum subscription amount, full allotment of Units applied for will be made within 30 days from the date

of closure of the NFO Period for all valid applications received during the NFO Period.

**(ii) Account Statements**

An account statement will be sent by ordinary post / courier / electronic mail to each Unit Holder, stating the number of Units purchased, not later than 30 days from the close of the NFO Period.

In case the investor provides the e-mail address, the Fund will provide the Account Statement only through e-mail message. The Account Statements shall be non-transferable

**(iii) Refunds**

If the Scheme fails to collect the minimum subscription amount of Rs. 50 Lakhs under each plan, the Scheme shall be liable to refund the money to the applicants.

In addition to the above, the refund of subscription money to the applicants whose applications are treated as invalid or rejected for any other reason whatsoever will commence immediately after the allotment process is completed. Refunds will be completed within 6 weeks of the closure of the NFO Period. If the Scheme refunds the amount after such 6 week period, interest at 15% per annum shall be liable to be paid by the AMC. Refund orders will be marked "A/c Payee only" and drawn in the name of the applicant (in the case of a sole applicant) and in the name of the first applicant in all other cases. All refund cheques will be mailed by registered post or as per the applicable Regulations.

**10. Processing of applications during ongoing offer period**

**(i) Allotment**

New investors may apply for Units by filling up an Application Form. Existing investors can apply for Units using a Transaction Slip. All valid and complete applications will be allotted Units at the Applicable NAV for the application amount.

**(ii) Account Statements**

An account statement will be sent by ordinary post /courier/ electronic mail to each Unit Holder, stating the number of Units purchased, generally within 4 Business Days, but not later than 30 days from date of acceptance of the valid Transaction Slip.

## **D. Anti-Money Laundering, Know-Your-Customer and Investor Protection**

### **Anti Money Laundering:**

Lotus India AMC is committed to complying with all applicable anti money laundering law and regulation in all of its operations. Lotus India AMC recognises the value and importance of creating a business environment that strongly discourages money launderers from using Lotus India Mutual Fund.

### **Prevention of Money Laundering**

To ensure appropriate identification of the investor and with a view to monitor transactions for the prevention of money laundering as prescribed by the Prevention of Money Laundering Act, 2002, the AMC reserves the right to:

- (a) scrutinize and verify the identity of the investor, unit holder, person making the payment on behalf of the investor and the source of the funds invested/ to be invested in Lotus India Mutual Fund;
- (b) reject any application;
- (c) prevent further transactions by a unit holder;
- (d) to mandatorily redeem the units held by the unit holder at the applicable NAV prevalent at the time of such redemption and
- (e) report cases to the Specified Director appointed by the Central Government, pertaining to a single transaction exceeding Rs. 10 lakh or series of transactions integrally connected or related to each other which are valued below the prescribed value of Rs. 10 lakh within a month.

### **Know Your Customer (KYC):**

In terms of the Prevention of Money Laundering Act, 2002, the Rules issued there under and the guidelines/circulars issued by SEBI regarding the Anti Money Laundering (AML Laws), all intermediaries, including Mutual Funds, have to formulate and implement a client identification program, verify and maintain the record of identity and address(es) of investors.

In order to make the data capture and document submission easy and convenient for the investors, Mutual Fund Industry has collectively entrusted this responsibility of collection of documents relating to identity and address and record keeping to an independent agency (presently CDSL Ventures Limited) that will act as central record keeping agency ('Central Agency'). PAN shall be basis for the KYC exercise. Investors who have done the KYC exercise shall quote the PAN to invest in the schemes of the mutual fund.

### **PAN based KYC process**

Investors who wish to invest in a mutual fund shall have to submit a KYC application form along with all the prescribed documents listed in the said Form, at any of the Point of Service ('POS'). PAN shall be the basis of the said KYC process and once the KYC process is completed the PAN shall be

quoted for all future reference. The KYC application form is available at our website [www.lotusindiaamc.com](http://www.lotusindiaamc.com) and AMFI website ([www.amfiindia.com](http://www.amfiindia.com)). POS are the designated centers appointed by the Central Agency for receiving application forms and processing data. List of and location of POS is available at our website [www.lotusindiaamc.com](http://www.lotusindiaamc.com) and [www.amfiindia.com](http://www.amfiindia.com). On submission of application, documents and information to the satisfaction of the POS, the investor will be allotted provisional KYC letter across the counter. Subsequently, the Central Agency will scrutinize the information and documents submitted by the investor, and confirm the same. However, the Central Agency may cancel the KYC within 15 Business days from the date of allotment of provisional KYC letter, in case of any deficiency in the document/information. Intimation on cancellation of KYC letter will be dispatched by the Central Agency to the investor immediately. No communication will be sent to the investor if the KYC letter as allotted is confirmed.

Presently, it is mandatory for all applications for subscription of value of Rs. 50, 000/- and above to quote the PAN of all the applicants (guardian in case of minor) in the application for subscription. The PAN no. will be validated with the records of the Central Agency before allotting units.

In the event of any KYC application form being subsequently rejected for lack of information / deficiency / insufficiency of mandatory documentation, the investment transaction will be cancelled and the amount may be redeemed at applicable NAV, subject to payment of exit load, wherever applicable. Such redemption proceeds will be dispatched within a maximum period of 21 days from date of acceptance of application. However, in case of subscriptions in scheme where Units are under a lock in period as allotment will be done only on confirmation from the Central Agency that the KYC is final and if the Central Agency informs that the KYC is cancelled, the original amount invested will be refunded.

Pursuant to SEBI circular no. MRD/DOP/Cir-05/2007 dated April 27, 2007, Permanent Account Number (PAN) will be, the sole identification number for all participants transacting in the securities market including investing in mutual fund, irrespective of the amount of transaction. This circular shall come into effect from July 02, 2007.

Applicants / Unit holders may contact our Investor Service Centers / their distributors, if any for any additional information/clarifications. Also, please visit our website [www.lotusindiaamc.com](http://www.lotusindiaamc.com) for any other related information.

### **Signature mismatches**

If the AMC / Registrar finds a signature mismatch, while processing the redemption / switch out request, then the AMC/ Registrar reserves the right to process the redemption only on the basis of supporting documents confirming the identity of the investors. List of such documents would be notified by AMC from time to time on its website.

## **E. Investors' Personal Information**

The AMC may share investors' personal information with the following third parties:

- Registrar, Banks and / or authorised external third parties who are involved in transaction processing, dispatches, etc. of investors' investment in the Scheme;
- Distributors or Sub-brokers through whom applications of investors are received for the Scheme.; or
- Any other organisations for compliance with any legal or regulatory requirements or to verify the identity of investors for complying with anti-money laundering requirements.

Account statements or financial information pertaining to the investor, if it is to be sent over the internet to the Unit Holder, distributors or any other entity as indicated above, will be sent only through a secure means and / or through encrypted electronic mail.

## **F. Facilities offered to the investors under the Scheme**

**1. Systematic Investment Plan (SIP) :** Not Available

**2. Systematic Withdrawal Plan (SWP) :** Not Available

**3. Switching**

### **(i) Inter-Scheme Switching**

The Transaction Slip can be used by investors to make inter-Scheme switches within the Fund. All valid applications for switch-out shall be treated as Redemption and for switch-in as Purchases with the respective Applicable NAVs of the Scheme / option.

### **(ii) Intra-Scheme Switching**

Investors can switch between different options under the Scheme, at the Applicable NAV. All valid applications for switch-out shall be treated as Redemption and for switch-in as Purchases with the respective Applicable NAVs of the option.

Investors may note that the inter-scheme switch-in shall be allowed under each plan of the scheme only during the Specified Transaction Period.

Switching shall be subject to the applicable “cut off time and Applicable NAV” stated elsewhere in the Offer Document. In case of ‘switch’ transactions from one scheme to another the allocation shall be in line with redemption payouts.

Note: Switching may involve capital gain/loss. For tax implications on switching please see Chapter on TAX BENEFITS OF INVESTING IN THE SCHEME

#### **4. Pledge of units for loan**

In conformity with the guidelines and notifications issued by SEBI / Government of India / any other regulatory body from time to time, Units under the Scheme may be offered as security by way of a lien / charge in favour of scheduled banks, financial institutions, non-banking finance companies (NBFCs), or any other body. The Registrar will note and record the lien against such Units. A standard form for this purpose is available on request with the Registrar.

The Unit Holder will not be able to redeem / switch Units under lien until the Lien Holder provides written authorisation to the Fund that the lien / charge may be vacated. As long as Units are under lien, the Lien Holder will have complete authority to exercise the lien, thereby redeeming such Units and receiving payment proceeds. In such instance, the Unit Holder will be informed by the Registrar through an account statement. In no case will the Units be transferred from the Unit Holder to Lien Holder. Dividends declared on Units under Lien will be paid / re-invested to the credit of the Unit Holder and not the Lien Holder.

#### **5. Lien on units**

On an ongoing basis, when existing and new investors make subscriptions, a lien on units allotted will be created, and such units shall not be available for redemption until the payment proceeds are realised by the Scheme. In case a unit holder redeems units soon after making purchases, the redemption cheque will not be dispatched until sufficient time has elapsed to provide reasonable assurance that cheques or drafts for units purchased have been cleared.

In case the cheque / draft is dishonoured by the bank, the transaction shall be reversed and the units allotted earlier shall be cancelled, and a fresh Account Statement / Confirmation slip shall be dispatched to the Unit holder.

For NRIs, the Scheme may mark a lien on units in case documents which need to be submitted are not given in addition to the application form and before the submission of the redemption request.

However, Lotus India AMC reserves the right to change operational guidelines for lien on units from time to time

#### **6. Listing of units**

Lotus India Monthly Interval Fund being an interval scheme offers repurchase facility and hence the Units of the Scheme are not proposed

to be listed on any stock exchange. However, the Mutual Fund may at its sole discretion list the Units of the Scheme on one or more stock exchanges at a later date.

## **7. Transmission of units**

If Units are held in a single name by the Unit Holder, Units shall be transmitted in favour of the nominee where the Unit Holder has appointed a nominee upon production of death certificate or any other documents to the satisfaction of the AMC / Registrar. If the Unit Holder has not appointed a nominee or in the case where the nominee dies before the Unit Holder, the Units shall be transmitted in favour of or as otherwise directed by the Unit Holder's personal representative(s) on production of the death certificate and / or any other documents to the satisfaction of the AMC / Registrar. If Units are held by more than one registered Unit Holder, then, upon death of one of the Unit Holders, the Units shall be transmitted in favour of the remaining Holder(s) (in the order in which the names appear in the register of Unit Holders with the Registrar) on production of a death certificate and / or any other documents to the satisfaction of the AMC / Registrar and to the nominee only upon death of all the Unit Holders.

## **8. Nomination Facility**

A Unit Holder can, at the time an application is made or by subsequently writing to an ISC, request for a nomination form in order to nominate any one person to receive the Units upon his / her death, subject to the completion of certain necessary formalities e.g. providing proof of the death of the Unit Holder, signature of the nominee, furnishing proof of guardianship if the nominee is a minor, and the execution of an indemnity bond or such other documents as may be required from the nominee in favour of and to the satisfaction of the AMC / Registrar.

Nomination can be made only by individuals on their own behalf, either singly or jointly. If the Units are held jointly, all joint Unit Holders must sign the nomination form.

Only the following categories of Indian residents can be nominated: (a) individuals; (b) minors through parent / legal guardian (whose name and address must be provided); and (c) religious or charitable trusts.

A nomination in respect of Units will be treated as rescinded upon the Redemption of the Units. Cancellation of a nomination can be made only by the Unit Holders who made the original nomination and must be notified in writing. On receipt of a valid cancellation, the nomination shall be treated as rescinded and the AMC / Fund shall not be under any obligation to transfer the Units in favour of the nominee.

The transfer of Units / payment to the nominee of the Redemption proceeds shall be valid and effectual against any demand made upon the

Fund / AMC / Trustee and shall discharge the Fund / AMC / Trustee of all liability towards the estate of the deceased Unit Holder and his / her legal personal representative or other successors.

The Fund, the AMC and the Trustee are entitled to be indemnified from the deceased Unit Holder's estate against any liabilities whatsoever that any of them may suffer or incur in connection with a nomination.

## **9. Folio Number**

Unless otherwise requested by the Unit Holder, a single folio number may be assigned if an investor invests in different schemes of the Fund, and a consolidated account statement will then be provided for investments in all the schemes.

## **10. Fractional units**

Since a request for Purchase or Redemption is generally made in rupee amounts and not in terms of a fixed number of Units of the Scheme, an investor may be left with fractional Units. Fractional Units will be computed and accounted for up to three decimal places for the Scheme. However, fractional Units will in no way affect the investor's ability to redeem the Units, either in part or in full, standing to the Unit Holder's credit.

## **G. Redemption of Units**

A unit holder has the option to request for redemption in amount (in Rupees) only.

In case the balance in unit holder's account does not cover the amount of redemption request the Fund may close the unit holder's account and send the entire such balance to the unit holders.

The minimum amount in rupees for Redemption shall be Rs. 5,000/-.

The Scheme will offer for redemptions / switch-outs, without any load on specified transaction period. The first specified transaction date would be the 30<sup>th</sup> day from the date of allotment. Subsequent specified transaction date would be 30<sup>th</sup> day from the previous specified transaction date. If the specified transaction date falls on a non-business day, the specified transaction date will be the next business day. Further, the Scheme will also offer redemption/switch-out on all business days, other than specified transaction period, at NAV based prices, subject to the applicable exit load.

### **1. Redemption Price**

The Redemption Price of the Units is the price at which a Unit Holder can redeem Units of a scheme. It will be calculated as described below:

Redemption Price = Applicable NAV x (1 – Exit Load)

Redemption Price will be calculated for up to four decimal places for the Scheme.

The Securities Transaction Tax levied under the Income Tax Act, 1961 at the applicable rate on the amount of redemption will be reduced from the amount of redemption.

Investors may note that the Trustee has a right to modify the existing Load structure in any manner or introduce Exit Load or CDSC any other Load subject to a maximum as prescribed under the Regulations and with prospective effect only.

Please refer Chapter LOAD, FEES AND EXPENSES.

## **2. How to redeem?**

A Transaction Slip can be used by the Unit Holder to request for Redemption. The requisite details should be entered in the Transaction Slip and submitted at an Official Point of Acceptance. Transaction Slips can be obtained from any of the ISCs.

In case the Units are standing in the names of more than one Unit Holder, where mode of holding is specified as 'Jointly', redemption requests will have to be signed by all joint holders. However, in cases of holding specified as 'Anyone or Survivor', any one of the Unit holders will have the power to make redemption requests, without it being necessary for all the Unit holders to sign. However, in all cases, the proceeds of the redemption will be paid only to the first-named holder

AMC reserves the right to provide the facility of redeeming units of the Scheme through an alternative mechanism including but not limited to on - line transactions on the Internet, as may be decided by the AMC from time to time. The alternative mechanism may also include electronic means of communication such as redeeming units online through the Website of the AMC or any other website etc. The alternative mechanisms would be applicable to only those investors who opt for the same in writing.

## **3. Payment of proceeds**

### **Resident Investors**

Redemption proceeds will be paid by cheques, marked "A/c Payee only" and drawn in the name of the sole holder / first-named holder (as determined by the records of the Registrar).

The redemption cheque will be dispatched to the unit-holders within the statutory limit of 10 working days from the date of redemption, as prescribed by SEBI. However, on a best effort basis the Fund will endeavour to dispatch the redemption cheque within 4 working days after a valid redemption request is received at the Official Point of Acceptance. If the payment is not made within the period stipulated in the Regulations, the Unit Holder shall be paid interest @15% p.a. for the delayed period and the interest shall be borne by the AMC.

The bank name and bank account number, as specified in the Registrar's records, will be mentioned in the cheque. The cheques will be payable at par at all the cities having ISCs. If the Unit Holder resides in any other city, he will be paid by a demand draft payable at the city of his residence and the demand draft charges shall be borne by the AMC. The proceeds may be paid by way of direct credit / EFT / SEFT / RTGS / Wired Transfer / any other manner through which the investor's bank account specified in the Registrar's records is credited with the Redemption proceeds.

**Note:** The Trustee, at its discretion at a later date, may choose to alter or add other modes of payment.

The redemption proceeds will be sent by courier or (if the addressee city is not serviced by the courier) by registered post. The despatch for the purpose of delivery through the courier /postal department, as the case may be, shall be treated as delivery to the investor. The AMC / Registrar are not responsible for any delayed delivery or non-delivery or any consequences thereof, if the despatch has been made correctly as stated in this paragraph.

### **Non-Resident Investors**

Credit balances in the account of an NRI/ FIIs investor, may be redeemed by such investors in accordance with the procedure described above and subject to any procedures laid down by the RBI, if any. Such redemption proceeds will be paid by means of a Rupee cheque payable to the NRI's/ FIIs net of tax deductions as may be applicable.

In terms of the Schedule 5 of Notification no. FEMA 20/2000 dated May 3, 2000 issued under the Foreign Exchange Management Act, 1999 (FEMA) the RBI has granted general permission to NRIs and FIIs who have purchased units issued by mutual funds in accordance with the aforesaid notification to tender units to the mutual funds for repurchase or for the payment of maturity proceeds.

For the purpose of this section, the term "Mutual Funds" is as referred to in Clause (23D) of Section 10 of Income-Tax Act 1961

#### **4. Effect of Redemption**

The number of Units held by the Unit Holder in his folio will stand reduced by the number of Units Redeemed.

Units once redeemed will be extinguished and will not be reissued.

#### **5. Unclaimed Redemptions and Dividends**

As per circular no. MFD/CIR/9/120/2000, dated November 24, 2000 issued by SEBI, the unclaimed Redemption and dividend amounts shall be deployed by the Fund in call money market or money market instruments only. The investment management fee charged by the AMC for managing such unclaimed amounts shall not exceed 50 basis points. The circular also specifies that investors who claim these amounts during a period of three years from the due date shall be paid at the prevailing NAV. Thus, after a period of three years, this amount can be transferred to a pool account and the investors can claim the said amounts at the NAV prevailing at the end of the third year. In terms of the circular, the onus is on the AMC to make a continuous effort to remind investors through letters to take their unclaimed amounts. The details of such unclaimed amounts shall be disclosed in the annual report sent to the Unit Holders.

### **H. Application via electronic mode**

Subject to the investor fulfilling certain terms and conditions stipulated by the AMC as under, Lotus India Asset Management Company Private Limited, Lotus India Mutual Fund or any other agent or representative of the AMC, Mutual Fund, the Registrar may accept transactions through any electronic mode ("fax/web/ electronic transactions") as permitted by SEBI or other regulatory authorities :

- i. The acceptance of the fax/web/electronic transactions will be solely at the risk of the transmitter of the fax/web/ electronic transactions and the Recipient shall not in any way be liable or responsible for any loss, damage caused to the transmitter directly or indirectly, as a result of the transmitter sending or purporting to send such transactions.
- ii. The recipient will also not be liable in the case where the transaction sent or purported to be sent is not processed on account of the fact that it was not received by the Recipient.
- iii. The transmitter's request to the Recipient to act on any fax/web/electronic transmission is for the transmitter's convenience and the Recipient is not obliged or bound to act on the same.
- iv. The transmitter acknowledges that fax/web/electronic transactions is not a secure means of giving instructions/ transactions requests and that the transmitter is aware of the risks involved including those arising out of such transmission.

- v. The transmitter authorizes the recipient to accept and act on any fax/web/ electronic transmission which the recipient believes in good faith to be given by the transmitter and the recipient shall be entitled to treat any such fax/web/ electronic transaction as if the same was given to the recipient under the transmitter's original signature.
- vi. The transmitter agrees that security procedures adopted by the recipient may include signature verification, telephone call backs which may be recorded by tape recording device and the transmitter consents to such recording and agrees to cooperate with the recipient to enable confirmation of such fax/web/ electronic transaction requests.
- vii. The transmitter accepts that the fax/web/ electronic transactions shall not be considered until time stamped as a valid transaction request in the Scheme in line with SEBI regulations.
- viii. In consideration of the recipient from time to time accepting and at its sole discretion acting on any fax/ web/electronic transaction request received / purporting to be received from the transmitter, the transmitter agrees to indemnify and keep indemnified the AMC, Directors, employees, agents, representatives of the AMC, Lotus India Mutual Fund and Trustees from and against all actions, claims, demands, liabilities, obligations, losses, damages, costs and expenses of whatever nature (whether actual or contingent) directly or indirectly suffered or incurred, sustained by or threatened against the indemnified parties whatsoever arising from or in connection with or any way relating to the indemnified parties in good faith accepting and acting on fax/web/ electronic transaction requests including relying upon such fax/ electronic transaction requests purporting to come from the Transmitter even though it may not come from the Transmitter.

The AMC reserves the right to discontinue the facility at any point of time.

#### **I. Suspension of Redemption of Units**

Subject to the approval of the Boards of the AMC and of the Trustee, and subject also to necessary communication of the same to SEBI, the determination of the NAV of the Units of the Scheme, and consequently of the Redemption and switching of Units, may be temporarily suspended in any of the conditions described below:

- a) When one or more stock exchanges or markets which provide the basis of valuation for a substantial portion of the assets of the Scheme is closed otherwise than for ordinary holidays.
- b) When, as a result of political, economic or monetary events or any other circumstances outside the control of the Trustee and the AMC, the disposal of the assets of the Scheme is not considered to be reasonably practicable or might otherwise be detrimental to the interests of the Unit Holders.
- c) In the event of breakdown in the means of communication used for the valuation of investments of the Scheme, so that the value of the securities of the Scheme cannot be accurately or reliably arrived at.

- d) If, in the opinion of the AMC, extreme volatility of markets causes or might cause, prejudice to the interests of the Unit Holders of the Scheme.
- e) In case of natural calamities, war, strikes, riots, and bandhs.
- f) In case of any other event of force majeure or disaster that in the opinion of the AMC affects the normal functioning of the AMC or the Registrar.
- g) If so directed by SEBI.

In any of the above eventualities, the time limits for processing requests for Redemption of Units will not be applicable. All types of Redemption of Units will be processed on the basis of the immediately next Applicable NAV after the resumption of dealings in Units.

#### **J. Right to limit Redemptions**

The Trustee may, in the general interest of the Unit Holders of the Scheme and when considered appropriate to do so based on unforeseen circumstances / unusual market conditions, limit the total number of Units which may be redeemed on any Business Day to 5% of the total number of Units then in issue, under the Scheme and option(s) thereof, or such other percentage as the Trustee may determine. Any Units which consequently are not redeemed on a particular Business Day, will be carried forward for Redemption to the next Business Day, in order of receipt. Redemptions so carried forward will be priced on the basis of the Applicable NAV (subject to the prevailing Load) of the Business Day on which Redemption is made. Under such circumstances, to the extent multiple Redemption requests are received at the same time on a single Business Day, redemptions will be made on a pro-rata basis, based on the size of each Redemption request, the balance amount being carried forward for Redemption to the next Business Day. In addition, the Trustee reserves the right, in its sole discretion, to limit redemptions with respect to any single account to an amount of Rs. 1 Lakh in a single day.

## VIII. UNIT HOLDERS' RIGHTS AND SERVICES

### A. Unit holders' Rights

- (a) Unit Holders of the Scheme(s) have a proportionate right in the beneficial ownership of the assets of the Scheme(s).
- (b) If the Scheme declares a dividend under the Scheme, it is bound to dispatch the dividend warrants within 30 days from the date of declaration of the dividend.
- (c) The Trustee is bound to disclose to the Unit Holders any important information known to the Trustee which may have a material adverse bearing on their investments.
- (d) The appointment of the AMC for the Fund can be terminated by majority of the Trustee or by 75% of the Unit Holders of the Scheme, and any change in the appointment of the AMC is subject to the prior approval of SEBI and the Unit Holders.
- (e) The Trustee is obliged to convene a meeting on a requisition of 75% of the Unit Holders of the Scheme / options.
- (f) 75% of the Unit Holders can pass a resolution to wind up the relevant Scheme.
- (g) Unit Holders have the right to inspect all the documents listed under the paragraph "Documents Available for Inspection" in the Offer Document.
- (h) The Trustees shall ensure that no change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme and affects the interest of unitholders, shall be carried out unless, -
  - i. a written communication about the proposed change is sent to each unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the mutual fund is situated; and
  - ii. the unitholders are given an option to exit at the prevailing Net Asset Value without any exit load.
- (k) The Trustee shall obtain the consent of the Unit Holders:
  - i. whenever required to do so by the Regulations or otherwise by SEBI, in the interest of Unit Holders;
  - ii. whenever required to do so on a requisition made by 75% of the Unit Holders of the relevant Scheme; and

- iii. if the Trustee decides to propose the winding-up of the Scheme or of the relevant Scheme.

In circumstances requiring the approval of Unit Holders, the AMC shall be guided by the directions issued by SEBI and / or the Trustee, under the Regulations about the manner of obtaining such approval.

## **B. Voting Rights of the Unit holders**

Subject to the provisions of the Regulations as amended from time to time, the consent of the Unit Holders shall be obtained, entirely at the option of the Trustee, either at a meeting of the Unit Holders or through postal ballot. Only one Unit Holder in respect of each folio or account representing a holding shall vote and he shall have one vote in respect of each resolution to be passed.

## **C. Account Statements and Unit Certificates**

Full allotment of the initial Units of the Scheme will be made to all valid applications within 30 days from the date of closure of the NFO Period. An account statement will be sent by ordinary post / courier / electronic mail to each Unit Holder, stating the number of Units purchased, not later than 30 days from the close of the NFO Period.

During ongoing offer period, the account statement will be sent by ordinary post /courier/ electronic mail to each Unit Holder, stating the number of Units purchased, generally within 4 Business Days, but not later than 30 days from date of acceptance of the valid Transaction Slip.

In case of specific request received from investors, Funds shall provide the account statement to the investors within 5 working days from the receipt of such request without any charges.

Account Statements to the unit holders who have not transacted during the last six months prior to the date of generation of account statements, may be generated and issued along with the Portfolio Statement or Annual Report of the scheme. Such Account Statement will reflect the latest closing balance and value of the units prior to the date of generation of the account statement. Further, soft copy of the account statements shall be mailed to the investors' e-mail address, instead of physical statement, if so mandated.

Account statements to be issued in lieu of Unit Certificates under the Scheme shall be non-transferable. The account statement shall not be construed as a proof of title.

A non-transferable Unit Certificate will be sent to the Unit Holder within 6 weeks following the receipt of a written request.

Units are non-transferable. The Trustee reserves the right to make the Units transferable at a later date, subject to the Regulations.

All Units will rank pari passu, among Units within the same option in the Scheme, as to assets and earnings.

An advertisement will be published in a newspaper soon after completion of allotment procedure, provided that if allotment is assured to all applicants, such advertisement may not be published.

#### **D. NAV Information**

The NAVs of the Scheme will be calculated by the Fund on all Business Days. The Fund will publish on a daily basis the NAVs and Redemption Price of the Scheme in at least two daily newspapers. The NAV of the Scheme will also be updated on the website of the Fund i.e. [www.lotusindiaamc.com](http://www.lotusindiaamc.com) and on the AMFI website i.e. [www.amfiindia.com](http://www.amfiindia.com).

#### **E. Disclosure of Information under the Regulations**

An annual report of the Scheme will be prepared as at the end of each financial year (March 31) and copies of the report or an abridged summary thereof will be mailed to all Unit Holders as soon as possible but not later than 6 months from the closure of the relevant financial year. If the report is mailed in a summary form, the full report will be available for inspection at the registered office of the Trustee and a copy thereof on request to the Unit Holders on payment of a nominal fee.

In addition, the Fund shall before the expiry of one month from the close of each half year (March 31 and September 30) publish its unaudited financial results in one national English daily newspaper circulating in the whole of India and in a Marathi daily newspaper. These shall also be displayed on the website of the Fund and that of AMFI.

Full portfolio details, in the prescribed format, shall also be disclosed either by publishing it in the newspapers or by sending to the Unit Holders within one month from the end of each half year and it shall also be displayed on the website of the Fund.

#### **F. Duration of the Scheme**

The duration of the Scheme is perpetual. However, in accordance with the Regulations, the Scheme may be wound up, after repaying the amount due to the Unit Holders:

- a) on the happening of any event which, in the opinion of the Trustee, requires the Scheme to be wound up; or
- b) if 75% of the Unit Holders of the Scheme pass a resolution that the Scheme be wound up; or
- c) if SEBI so directs in the interests of Unit Holders.

If the Scheme is so wound up, the Trustee shall give notice of the circumstances leading to the winding up of the Scheme:

- a) to SEBI; and
- b) in two daily newspapers having a circulation all over India, and in a vernacular newspaper with circulation in Mumbai.

On and from the date of the publication of notice of winding up, the Trustee or the AMC, as the case may be, shall

- a) cease to carry on any business activities in respect of the Scheme so wound up;
- b) cease to create or cancel Units in the Scheme; and
- c) cease to issue or redeem Units in the Scheme.

#### **G. Procedure and Manner of Winding up**

The Trustee shall call a meeting of the Unit Holders to approve, by simple majority of the Unit Holders present and voting at the meeting, a resolution authorising the Trustee or any other person to take steps for winding up of the Scheme.

The Trustee, or other person authorised as above, shall dispose of the assets of the Scheme concerned in the best interest of Unit Holders of the Scheme. The proceeds of sale shall be first utilised towards discharge of such liabilities as are due and payable under the Scheme, and, after meeting the expenses connected with the winding up, the balance shall be paid to the Unit Holders in proportion to their respective interests in the assets of the Scheme, as on the date when the decision for winding up was taken.

On completion of the winding up, the Trustee shall forward to SEBI and Unit Holders a report on the winding up, detailing, the circumstances leading to the winding up, the steps taken for disposal of the assets of the Scheme before winding up, net assets available for distribution to the Unit Holders and a certificate from the Auditors of the Fund.

Notwithstanding anything contained herein above, the provisions of the SEBI Regulations in respect of disclosures of half-yearly reports and annual reports shall continue to be applicable until winding up is completed or the Scheme ceases to exist.

After the receipt of the Trustee's report referred to above, and if SEBI is satisfied that all measures for winding up of the Scheme have been complied with, the Scheme shall cease to exist.

On and from the date of the publication of the notice of winding up as stated above, the Trustee or the AMC as the case maybe, shall:

- (a) cease to carry on any business activities in respect of the Scheme so wound up;
- (b) cease to create or cancel Units in the Scheme;
- (c) cease to issue or redeem Units in the Scheme.

## **H. Services to the unit holders**

### **Investor Services**

The Mutual Fund believes in providing the investor with superior services to make the investor's experience in dealing with the Mutual Fund an efficient and satisfactory one. In order to achieve these goals, the Mutual Fund will endeavour to continuously establish and upgrade systems to handle transactions efficiently and resolve any investor grievances promptly.

### **Convenience in transactions**

The Mutual Fund intends to make every transaction of the Investor a convenient one. The Mutual Fund presently has Investor Service Centres in 8 cities. In addition to these, the Mutual Fund presently has a tie up with the Registrar and Transfer Agent who has set up Investor Service Centres in various cities.

The list of Collection Centres for accepting applications during the New Fund Offer Period are given in the inside back cover of the Offer Document. After the New Fund Offer Period, the requests for transactions in the Units of the Scheme will be accepted at the official points of acceptance. The list of the official points of acceptance of transactions is also given in the inside back cover of the Offer Document. All switch requests during the New Fund Offer Period of the Scheme will have to be submitted at the Official Points of Acceptance of Transactions. Switch requests received at any other centres are liable to be rejected.

Over a period of time, the Mutual Fund will endeavour to add further Investor Service Centres and / or sales offices in other cities.

Each ISC will provide investors with requisite information and help in processing transactions in the Scheme of the Mutual Fund. Adequate training will be imparted to personnel managing the Investor Service Centres, with a view to early resolution of queries.

### **Receiving Account Statement / Correspondence by E-Mail**

The Mutual Fund will encourage Unitholder(s) to provide their e-mail addresses for all correspondence. It is planned that the Mutual Fund's website would facilitate request for Account Statement by Unitholder(s). If opted / requested by the Unitholder(s), the Mutual Fund will endeavour to

send Account Statement and any other correspondence using e-mail as the mode of communication.

If the Unitholder(s) experiences any difficulty in accessing the electronically delivered Account Statement, the Unitholder(s) shall promptly advise the Mutual Fund to enable the Mutual Fund to make the delivery through alternate means. Failure to advise the Mutual Fund of such difficulty within 24 hours after receiving the e-mail, will serve as an affirmation regarding the acceptance by the Unitholder(s) of the Account Statement.

It is deemed that the Unitholder(s) is aware of all security risks including possible third party interception of the Account Statement and content of the Account Statement becoming known to third parties. The Mutual Fund will not be responsible or liable in any manner for any correspondence sent to the Unitholder(s) using e-mail as the mode of communication at Unitholder's request or on an ad-hoc basis.

### **Use of Intermediaries**

The investor is aware that the Mutual Fund or AMC need to use intermediaries such as post office, local and international couriers, banks and other intermediaries for correspondence with the investor and for making payments to the investor by cheques, drafts, warrants, through Electronic Clearing Services (ECS) etc. The investor expressly agrees and authorises the Mutual Fund or AMC or their Agents to correspond with the investor or make payments through intermediaries including but not limited to post office, local and international couriers and banks. The investor clearly understands that the Mutual Fund or AMC uses such intermediaries for convenience of the investor and such intermediaries are agents of the investor and not the Mutual Fund or AMC. The Mutual Fund or AMC or their Agents are not responsible in any manner whatsoever for delayed receipt or non-receipt of any correspondence or payment through such intermediaries.

### **Information Dissemination**

The AMC will disclose the first NAV of the Scheme not later than 30 days from the closure of New Fund Offer Period. Subsequently, the NAV will be disclosed at the close of every Business Day. Information regarding NAV can be obtained by the Unitholders / Investors by calling or visiting the nearest ISC.

The NAVs of the Scheme shall be published atleast in two daily newspapers on a daily basis in accordance with the SEBI Regulations. NAVs will also be displayed on the Website of the AMC ([www.lotusindiaamc.com](http://www.lotusindiaamc.com)).

The AMC shall update the NAVs on the website of Association of Mutual Funds in India – AMFI ([www.amfiindia.com](http://www.amfiindia.com)) and the website of the AMC by 9.00 p.m. everyday. In case of any delay, the reasons for such delay

would be explained to AMFI and SEBI by the next day. If the NAVs are not available before commencement of business hours on the following day due to any reason, the Mutual Fund shall issue a press release providing reasons and explaining when the Mutual Fund would be able to publish the NAVs.

The Redemption price of Units shall be published in a daily newspaper on a daily basis in accordance with the SEBI Regulations.

The AMC shall display the Newsletters on the website of the AMC ([www.lotusindiaamc.com](http://www.lotusindiaamc.com)). Investors / Unitholders, on written request can obtain (post/e-mail) a copy of the Newsletter or contact any of the Investor Service Centres.

An abridged scheme-wise annual report shall be mailed to all Unitholders not later than six months from the date of closure of the relevant accounting year and the full annual report shall be available for inspection at the head office of the Mutual Fund and a copy shall be made available to the Unitholders on request and on payment of nominal fees, if any. These results shall also be displayed on the website of the AMC ([www.lotusindiaamc.com](http://www.lotusindiaamc.com)) and that of AMFI ([www.amfiindia.com](http://www.amfiindia.com)).

Before expiry of one month from the close of each half year that is on March 31 and September 30, the Mutual Fund shall publish its unaudited financial results in one national English daily newspaper and in a newspaper in the language of the region where the Head Office of the Mutual Fund is situated, as per the format prescribed by SEBI. These results shall also be displayed on the website of the Mutual Fund ([www.lotusindiaamc.com](http://www.lotusindiaamc.com)) and that of AMFI ([www.amfiindia.com](http://www.amfiindia.com)).

The Mutual Fund shall before the expiry of one month from the close of each half year i.e. March 31 and September 30, send to all Unitholders a complete statement of its Scheme portfolio. Provided that the statement of Scheme portfolio may not be sent to the Unitholders if the statement is published, by way of an advertisement, in one English daily Newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated. The statement of the Scheme Portfolio shall also be displayed on the website of the Mutual Fund ([www.lotusindiaamc.com](http://www.lotusindiaamc.com)). The statement of the Scheme Portfolio shall be in the format as prescribed by SEBI.

The Mutual Fund shall disclose large unitholdings in the Scheme which are over 25% of the NAV. The information on the number of such investors and total holdings by them in percentage terms shall be disclosed in the allotment letters after the New Fund Offer Period and also in the annual and the half-yearly results.

The annual report containing accounts of the AMC shall be displayed on the Website of the AMC ([www.lotusindiaamc.com](http://www.lotusindiaamc.com)). Unitholders, if they so desire, may request for the annual report of the AMC.

## **Personal Identification Number (PIN)**

The PIN facility may be made available to the Unitholders in future. Unitholders will be required to indicate their requirement and complete necessary documentation as may be required. The Registrar and Transfer Agent on receipt of this request, will mail to such Unitholders, the 'Disclaimer Form' together with detailed terms and conditions subject to which its usage will be permitted. On receipt of the 'Disclaimer Form' duly signed by the Unitholder, the PIN will be mailed to each Unitholder. Unitholders may use the PIN to conduct such transactions as offered by the Mutual Fund from time to time. The Unitholder will be asked for the PIN before the request is accepted. In the interest of the Unitholder, the Registrar and Transfer Agent reserves the right to ask for a fax confirmation of the request and any other additional information about the account of the Unitholder.

The PIN should never be disclosed to any person or written down where any other person may discover it. All transactions conducted with use of this PIN will be the responsibility of the Unitholder and the Unitholder will abide by the record of the transactions generated. The Mutual Fund and the ISC / Registrar and Transfer Agent shall not accept any responsibility for the unauthorised use of the PIN.

## **Problem Resolution**

The Fund will follow up with the Investor Services Centres and the Registrar on complaints and enquiries received from investors with an endeavor to resolve them promptly.

For this purpose, Ms. Malati Majumdar has been appointed as the Investor's Relation Officer. she may be contacted at the office of the AMC at Office No. 3, 4, 5 & 6, 7<sup>th</sup> Floor, Arcadia Building, 195 N.C.P.A Marg, Nariman Point, Mumbai – 400 021.

## I. History of Investor Complaints

Investors' Complaints as on April 13, 2007:

Nature of Complaint	Number of Complaints		
	Received	Redressed	Pending
Complaints received from SEBI	Nil	-	-
Correction in investor details	118	118	-
Non-allotment of units	Nil	-	-
Non-receipt of Account Statements	9	9	-
Non-receipt of Dividend Warrants	Nil	-	-
Non-receipt of Redemption Warrants	Nil	-	-
Other complaints	3	3	-
<b>Total</b>	<b>130</b>	<b>130</b>	<b>-</b>

The investor complaints received by the Fund are redressed by the Investor Relations Officer and the Registrar. The Compliance Officer regularly reviews the redressal of complaints for assessing the quality and timeliness of the redressal.

## **IX. TAX BENEFITS OF INVESTING IN THE SCHEME**

The information set out below outlines the tax implications with respect to the Unit holders of the Scheme and with respect to the Mutual Fund and is based on relevant provisions of the Indian Income Tax Act, 1961 and Wealth Tax Act, 1957 (collectively known as "the relevant provisions"), and prevailing as on June 18, 2007.

Price Waterhouse does not make any representation on the procedures for ascertaining the tax implications nor do they make any representations regarding any legal interpretations. Further, except for the above procedure, Price Waterhouse has not performed any other services in connection with any other data or information included in the Offer Document.

THE FOLLOWING INFORMATION IS PROVIDED FOR GENERAL INFORMATION PURPOSES ONLY. IN VIEW OF THE INDIVIDUAL NATURE OF TAX IMPLICATIONS, EACH INVESTOR IS ADVISED TO CONSULT HIS OR HER OWN TAX ADVISER WITH RESPECT TO THE SPECIFIC TAX IMPLICATIONS ARISING OUT OF HIS OR HER PARTICIPATION IN THE SCHEME.

### **A. For the Unitholders**

1. Income from Mutual Fund received by Unitholders would be tax free in the hands of the Unitholders as per the provisions of section 10(35) of the Income-tax Act, 1961 (the Act).
2. The characterization of gains / losses arising from sale / transfer of units as capital gains or business income would depend on the classification of the said units by the unit holder. It would depend on whether the unit holder has classified such units as capital assets or as stock in trade.
3. Under Section 2(29A) of the Act, read with section 2(42A) of the Act, a unit of a Mutual Fund is treated as a long term capital asset if the same is held for more than 12 months. If the unit is held for 12 months or less, the same is treated as a short term capital asset.
4. Taxation of Long Term Capital Gains

Under Section 112 of the Act, capital gains arising on the transfer of long term capital assets are subject to tax at the rate of 20%. The capital gains will be computed by deducting expenditure incurred in connection with such transfer and indexed cost of acquisition of the unit from the sale consideration. Further, the maximum tax payable on long term capital gains on such units is restricted to 10% of capital gains calculated without indexation of the cost of acquisition.

However, as per section 10(38) of the Act, long term capital gain arising from the sale of a unit of an equity oriented fund is exempt from tax. In such cases, at the time of sale of units (redemption) the unit holder will have to pay a Securities Transaction Tax (STT) of 0.25% of the sale / redemption value.

The income by way of long term capital gains of a company would be taken into account in computing the book profits and Minimum Alternate Tax payable, if any, u/s 115JB of the Act (irrespective of whether it is exempt u/s 10(38)).

Further, in case of an individual or HUF, being a resident, where the total income as reduced by the long term capital gains is below the maximum amount not chargeable to tax (i.e. Rs. 110,000 in case of all individuals, to Rs. 145,000 in case of women and to Rs.195, 000 in case of senior citizens), the long term capital gains shall be reduced to the extent of the shortfall and only the balance long term capital gains will be subject to the flat rate of taxation.

#### 5. Taxation of Short Term Capital Gains

Short term capital gains arising to a unit holder will be taxed at the normal rate applicable to that unit holder as per the provisions of the Act. The capital gains will be computed by deducting expenditure incurred in connection with such transfer and cost of acquisition of the unit from the sale consideration.

The taxable/total income and the tax payable arising from short term capital gains shall be computed in accordance with the tax rates applicable to the investor.

However, as per section 111A of the Act, short term capital gain arising from the sale of a unit of an equity oriented fund is taxable at the rate of 10%. The provisions related to minimum amount not chargeable to tax, surcharge and education cess described at clause 4 above would also apply to such short-term capital gains. In such cases, at the time of sale of units (redemption) the unit holder will have to pay STT of 0.25% of the sale / redemption value.

#### 6. For the purposes of point 4 and 5 above,

An “equity oriented fund” is a fund where the investible funds are invested in equity shares of domestic companies to the extent of more than 65% of the total proceeds of such fund.

In addition to the aforesaid tax, in the case of an individual, HUF or Association of Persons (AOP), where the income exceeds Rs. 1,000,000 a surcharge of 10%, in the case of domestic companies, where the income exceeds Rs. 10,000,000 a surcharge of 10%; in case of foreign companies, where the income exceeds Rs. 10,000,000 a surcharge of 2.5% and in case of an artificial juridical person a surcharge of 10%, of such tax liability is also payable. A 3% education cess (inclusive of 1% of an additional cess for Secondary and Higher Education) on total income tax (including surcharge) is payable by all categories of taxpayers.

#### 7. The capital loss resulting from sale of units would be available for setting off against other capital gains made by the investor and would reduce the tax liability of the investor to that extent. However, losses on transfer of long term capital assets would be allowed to be set-off only against gains from transfer of long-term capital assets and the balance long-term capital loss shall be carried forward

separately for a period of eight assessment years to be set off only against long-term capital gains. Further, as the long-term capital gains on sale of units of equity oriented fund are exempt from tax the losses from such units may not be allowed to be set off against other gains

8. In terms of the provisions of section 80C of the Act, an Individual or a HUF is entitled to claim a deduction for investments made in specified securities etc. up to a maximum amount of Rs. 100,000. Subscription to any units of any Mutual Fund notified under clause (23D) of section 10 of the Act or from the Administrator or the specified company under any plan formulated in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf, qualify for deduction under section 80C of the Act.

The Central Government has notified the Equity Linked Savings Scheme, 2005 ('ELSS, 2005') in this regard vide Notification No. 226 dated November 3, 2005 as amended by Notification No. 259 dated December 13, 2005.

The investors would be entitled to the benefit under section 80C of the Act for investments made under such schemes of the Fund, which are in accordance with ELSS 2005, subject to the aggregate limit of Rs.100,000 provided under section 80C of the Act.

9. Where a person buys any units within a period of three months before the record date and sells such units within nine months after such date, the dividend income on such units being exempt from tax, then the capital loss, if any, on such sale to the extent of dividend income cannot be set off against other gains.
10. Where a person buys units (original units) within a period of three months before the record date, receives bonus units on such original units, and then sells the original units within a period of nine months from the record date and continues to hold the bonus units, then the loss incurred on the original units shall not be allowed to be set off against other profits but shall be deemed to be the cost of acquisition of the bonus units.
11. However, in cases which are not covered by clause 10 above, the cost of acquisition of bonus units for the investors would be NIL, as provided by section 55(2) of the Act.
12. The long term capital gains on transfer of units would be exempt from tax under Section 54EC of the Act, subject to fulfillment of certain conditions specified in the section. This section requires investments in specified bonds. However, if the amount invested is less than the capital gains realized, only proportionate capital gains would be exempt from tax.
13. Where the units are treated as stock in trade and the profits arising from the sale of units are taxed under the head "Profits & Gains of business or profession", the STT paid by the unit holder would not be allowed as deduction in computing the total income u/s 40(a)(ib) of the Act. However, in such a case, an amount equal to the STT paid by the unitholder can be claimed as a rebate from the tax payable on the income from such sale of units by virtue of the provisions of section 88E of the Act. Similarly, no deduction would be allowed for STT while calculating capital gains.

14. No deduction of tax at source shall be made from income credited or paid by a mutual fund to a Unit holder.
15. As per circular no. 715 dated August 8, 1995 issued by the CBDT in case of resident Unitholders, no tax is required to be deducted at source from capital gains arising at the time of repurchase or redemption of the units.

Under Section 195 of the Act in case of schemes other than equity oriented scheme, the Mutual Fund is required to deduct tax at source at the rate of 20% on any long-term capital gains arising from units chargeable to tax if the payee Unitholder is a non-resident. In respect to short-term capital gains, tax is required to be deducted at source at the rate of 30% if the payee Unitholder is a non-resident non-corporate and at the rate of 40% if the payee Unitholder is a foreign company in case of schemes other than equity oriented scheme.

However, with respect to short-term capital gains arising from sale of equity oriented schemes, tax is required to be deducted at the rate of 10%. No deduction of tax is required to be made from long term capital gains arising to non residents from sale of units of equity oriented schemes.

In addition to the aforesaid tax, in the case of an individual, HUF or Association of Persons (AOP), where the income exceeds Rs. 1,000,000 a surcharge of 10%, in the case of domestic companies, where the income exceeds Rs. 10,000,000 a surcharge of 10%; in case of foreign companies, where the income exceeds Rs. 10,000,000 a surcharge of 2.5% and in case of an artificial juridical person a surcharge of 10%, of such tax liability is also payable. A 3% education cess (inclusive of 1% of an additional cess for Secondary and Higher Education) on total income tax (including surcharge) is payable by all categories of taxpayers.

16. Under section 196D of the Act, no tax is required to be deducted at source on income by way of capital gains earned by a Foreign Institutional Investor (FII).
17. As per circular no. 728 dated October 30, 1995 issued by the CBDT, in the case of a remittance to a country with which a Double Tax Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in the DTAA, whichever is more beneficial to the assessee. In order for the Unitholder to obtain the benefit of a lower rate available under a DTAA, the Unitholder will be required to provide the Mutual Fund with a certificate obtained from his Assessing Officer stating his eligibility for the lower rate.
18. Mutual Fund units are exempt from wealth tax.

## **B. For the Mutual Fund**

1. Lotus India Mutual Fund is a Mutual Fund registered with SEBI and as such is eligible for benefits under Section 10(23D) of the Act. Accordingly, its entire income is exempt from tax.

2. Mutual Funds (other than equity oriented funds) are required to pay dividend distribution tax at the rate of 14.1625%, in the case of distributions to individuals and HUFs. An increased rate of 22.66% is applicable for distributions made to persons other than an individual or a HUF.
3. Mutual funds which are ‘Money Market Mutual Fund’<sup>1</sup> or ‘Liquid Fund’<sup>2</sup> are required to pay dividend distribution tax at the rate of 28.325% (including surcharge @10%, education cess @2% and Secondary and higher education cess at the rate of 1%).

---

<sup>1</sup> Money market mutual fund means a money market mutual fund as defined in sub-clause (p) of clause 2 of the SEBI (Mutual Funds) Regulations, 1996."

<sup>2</sup> "liquid fund" means a scheme or plan of a mutual fund which is classified by the SEBI as a liquid fund in accordance with the guidelines issued by it in this behalf under the SEBI Act, 1992 or regulations made thereunder.

## **X. OTHER MATTERS**

### **A. Transaction with Sponsor/Associates**

Lotus India Mutual Fund has not had any transactions with the Sponsor or any of the Sponsor's associates from the date of registration till the date of the Offer Document.

The AMC may however, for purposes of providing certain services utilise the services of Sponsor, group companies and any other subsidiary or associate company of the Sponsor established or to be established at a later date, who is in a position to provide the requisite services to the AMC.

The AMC, on behalf of the Fund, shall conduct its business with the aforesaid companies (including their employees or relatives) on commercial terms and on arms-length basis and at mutually agreed terms and conditions to the extent permitted under the SEBI Regulations.

### **B. Policy on Investments outside India by the Scheme**

The scheme does not intend to make investments in ADR/GDR/Foreign Securities.

### **C. Dividends and Distributions**

The Trustee may decide to distribute by way of dividend, the distributable surplus, if any, to Unit Holders in the dividend option of the Scheme if such surplus is available and adequate for distribution in the opinion of the Trustee

The AMC shall dispatch to the Unit Holders, the dividend warrants within 30 days of the date of declaration of dividend.

#### **Monthly Dividend Reinvestment Option:**

In the Monthly dividend option, the Fund will endeavour to declare the dividend on a monthly basis.

Previous day to the specified transaction period will be record date for dividend and the ex-dividend NAV will be declared on the specified transaction day. The dividend declared shall be compulsorily reinvested.

Dividend re-investment will be made without the payment of an Entry Load, if any. The amount of Dividend re-invested will be net of tax deducted at source, wherever applicable. On reinvestment of Dividends, the number of Units to the credit of Unitholder will increase to the extent of the Dividend reinvested based on the Applicable NAV as explained above. Please note that the Dividend is subject to availability of distributable surplus, if any. There is no assurance or guarantee to Unitholders as to the rate of Dividend distribution nor that the Dividends will be regularly paid, though it is the

intention of the Mutual Fund to make regular Dividend distribution under these options.

#### D. Inter-Scheme Transfers

The transfers of investments from one Scheme to another Scheme may be made only if:

- (a) such transfer is done at the prevailing market price for quoted instruments on spot basis; and
- (b) the security(ies) so transferred is / are in conformity with the investment objective of the scheme to which such transfer has been made.

#### E. Disclosure under Regulation 25 (11) of SEBI (Mutual Fund) Regulations, 1996

**Investments made by the schemes of Lotus India Mutual Fund in Companies or their subsidiaries that have invested more than 5% of the net assets of any scheme**

Name of the Company	Scheme Invested by the Company	Investments made by the Schemes of Lotus India Mutual Fund in the Company or its subsidiary	Aggregate cost of acquisition during the period ended April 13, 2007 (Rupees in Lakhs)	Outstanding as on April 13, 2007 (Rupees in Lakhs)
Alkem Laboratories Ltd	Lotus India FMP 14 Months Series I	Lotus India FMP 14 Months Series I	400.00	-
	Lotus India FMP 13 Months Series II	Lotus India FMP 15 Months Series I	300.00	-
		Lotus India Liquid Fund	16,600.00	3,000.00
		Lotus India Liquid Plus Fund	5,500.00	-
Allahabad Bank	Lotus India Liquid Fund	Lotus India Liquid Fund	2,909.74	466.06
Andhra Bank	Lotus India Liquid Fund	Lotus India Tax Plan	161.14	136.53
Bank of India	Lotus India Liquid Fund	Lotus India Contra Fund	1,400.00	-
		Lotus India Liquid Fund	7,200.00	-
		Lotus India Liquid Plus Fund	1,200.00	-
Centurion Bank Of Punjab Ltd	Lotus India Liquid Fund	Lotus India FMP 14 Months Series I	500.00	500.00
		Lotus India FMP 03 Months Series III	1,600.00	1,600.00
		Lotus India Liquid Fund	33,000.00	4,000.00
		Lotus India Liquid Plus Fund	4,400.00	2,000.00

		Lotus India Tax Plan	115.21	-
Crompton Greaves Ltd	Lotus India Liquid Plus Fund	Lotus India Liquid Fund	2,000.00	-
		Lotus India Tax Plan	129.35	121.68
DSP Merrill Lynch Capital Ltd	Lotus India Liquid Fund	Lotus India Liquid Fund	7,962.08	1,499.67
		Lotus India Liquid Plus Fund	810.53	-
		Lotus India Tax Plan	297.94	-
		Lotus India FMP 16 Months Series I	900.00	891.39
		Lotus India FMP 15 Months Series I	300.65	297.62
Export Import Bank Of India	Lotus India Liquid Fund	Lotus India Contra Fund	1,877.48	-
		Lotus India Liquid Fund	4,778.89	1,926.56
		Lotus India Liquid Plus Fund	1,480.48	-
		Lotus India Tax Plan	130.86	134.07
Finolex Cables Ltd.	Lotus India FMP 15 Months Series I	Lotus India Liquid Fund	2,500.00	-
		Lotus India Liquid Plus Fund	800.00	-
		Lotus India FMP 15 Months Series I	200.00	-
Global Trade Finance Ltd	Lotus India Liquid Fund	Lotus India Liquid Fund	8,700.00	-
		Lotus India Liquid Plus Fund	100.00	-
		Lotus India FMP 15 Months Series I	200.00	-
Grasim Industries Ltd	Lotus India Liquid Plus Fund	Lotus India Tax Plan	278.14	194.27
	Lotus India FMP 16 Months Series I			
	Lotus India FMP 15 Months Series I			
	Lotus India FMP 03 Months Series I			
	Lotus India FMP 03 Months Series II			
HDFC Bank Ltd	Lotus India Liquid Fund	Lotus India Contra Fund	713.00	-
		Lotus India Liquid Fund	7,387.40	-
		Lotus India Liquid Plus Fund	112.00	-
		Lotus India Short Term Plan	384.12	-
Housing Development Finance Corporation Ltd	Lotus India Liquid Fund	Lotus India Liquid Fund	4,907.43	-
Indian Bank	Lotus India Liquid Fund	Lotus India Tax Plan	10.04	10.32
	Lotus India Liquid			

	Plus Fund			
Industrial Development Bank of India	Lotus India Liquid Fund	Lotus India Contra Fund	988.11	-
		Lotus India FMP 13 Months Series I	281.73	-
		Lotus India FMP 15 Months Series I	4.92	4.97
		Lotus India FMP 03 Months Series I	54.19	53.63
		Lotus India FMP 03 Months Series II	63.02	63.57
		Lotus India Liquid Fund	4,223.83	2,359.86
		Lotus India Liquid Plus Fund	820.58	-
		Lotus India Short Term Plan	0.99	0.99
Infrastructure Development Finance Company Ltd	Lotus India Liquid Fund	Lotus India FMP 16 Months Series I	900.00	887.37
		Lotus India FMP 16 Months Series I	100.00	-
		Lotus India Short Term Plan	100.27	98.60
Jammu & Kashmir Bank Limited	Lotus India Liquid Fund	Lotus India FMP 03 Months Series II	1,948.91	1,974.74
		Lotus India Liquid Plus Fund	4,456.04	-
Kotak Mahindra Bank Ltd	Lotus India Liquid Fund	Lotus India Liquid Fund	3,138.04	-
		Lotus India Liquid Plus Fund	493.48	-
		Lotus India Short Term Plan	213.90	-
National Housing Bank	Lotus India Liquid Fund	Lotus India Liquid Fund	898.08	-
		Lotus India Liquid Plus Fund	598.72	-
State Bank of Hyderabad	Lotus India Liquid Fund	Lotus India FMP 14 Months Series I	500.00	500.00
		Lotus India Liquid Plus Fund	985.72	986.23
State Bank Of Indore	Lotus India Liquid Fund	Lotus India FMP 03 Months Series I	975.54	989.72
		Lotus India Liquid Plus Fund	915.17	915.95
Sterlite Industries Ltd	Lotus India Liquid Fund	Lotus India Liquid Fund	11,200.00	-
		Lotus India Liquid Plus Fund	300.00	-
		Lotus India FMP 03 Months Series II	1,500.00	-
UltraTech Cement Ltd	Lotus India FMP 03 Months Series I	Lotus India Tax Plan	155.35	-
Union Bank of India Ltd	Lotus India Liquid Fund	Lotus India Contra Fund	297.59	296.26
		Lotus India Liquid Fund	8,186.02	167.93
		Lotus India Liquid Plus Fund	1,902.38	1,416.54

		Lotus India FMP 03 Months Series II	2,436.32	2,468.87
		Lotus India FMP 03 Months Series III	1,466.78	-
		Lotus India Short Term Plan	445.89	448.16
UTI Bank Ltd	Lotus India Liquid Fund	Lotus India FMP 03 Months Series I	1,000.00	1,000.00
		Lotus India FMP 03 Months Series II	1,600.00	1,600.00
		Lotus India FMP 03 Months Series IV	1,600.00	1,600.00
Yes Bank Ltd	Lotus India Liquid Fund	Lotus India Liquid Fund	16,990.62	-
		Lotus India Liquid Plus Fund	2,500.00	-
		Lotus India FMP 03 Months Series I	1,570.00	1,570.00
		Lotus India FMP 03 Months Series II	1,600.00	1,600.00
		Lotus India FMP 14 Months Series I	903.58	911.26

The above investments comprise of Shares, Debentures/Bonds, Commercial Papers, Fixed Deposits and other Debt instruments.

## F. General Information

### 1. Power to make Rules

Subject to the Regulations, the Trustee may, from time to time, prescribe terms and make rules for the purpose of giving effect to the Scheme and may authorise the AMC to add to, alter or amend all or any of such terms and rules.

### 2. Power to remove Difficulties

If any difficulties arise in giving effect to the provisions of the Scheme, the Trustee may, subject to the Regulations, do anything not inconsistent with such provisions, which appears to it to be necessary, desirable or expedient, for the purpose of removing such difficulty.

### 3. Penalties and Pending Litigations

1	Cases of penalties awarded by SEBI under the SEBI Act or any of its regulations against the Sponsor of the Mutual Fund or any company associated with the Sponsor in any capacity including the Asset Management Company, Trustee Company /Board of Trustees, or any of the directors or key personnel (specifically the fund managers) of the Asset Management Company and Trustee Company. For Sponsor and its associates, other than the penalties as mentioned above, the penalties awarded by any financial regulatory body, including	None
---	---	------

	<p>stock exchanges, for defaults in respect of shareholders, debenture holders and depositors. Additionally, penalties awarded for any economic offence and violation of any securities laws.</p> <p>All disclosures on penalties and action taken against foreign entities may be limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the sponsors / associate companies are carried out or the where the headquarter is situated</p>	
2	<p>Top 10 monetary penalties in case of foreign entities and all monetary penalties in case of Indian entities, imposed against the AMC / Trustee Company / Sponsor or any associate of the sponsor (for irregularities / violations in the financial services sector or for defaults in respect of share holders / debenture holders and depositors, in jurisdiction country as determined in the above clause, by any financial regulatory body or government authority or settlement arrived with any financial regulatory body during the last five years and details thereof.</p> <p>Penalties awarded for economic offences may be disclosed only in case of AMC, sponsor and Trustee Company.</p>	None
3	<p>Details of all cases of suspensions and cancellation of certificate of registration (for irregularities / violations in financial services sector or for defaults in respect of share holders, debenture holders and depositors) of the AMC, Trustee Company and sponsor or any associate of the sponsor shall be disclosed for the last 10 years. (Mutual funds having associate companies abroad shall make the above disclosures for foreign and Indian entities separately.)</p>	None
4	<p>Any pending material litigation proceedings incidental to the business of the Mutual Fund to which the Sponsor of the Mutual Fund or any company associated with the Sponsor in any capacity including the AMC, Board of Trustees /Trustee Company or any of the directors or key personnel is a party. Any pending criminal cases against the Sponsor or any company associated with the Sponsor in any capacity including the AMC, Board of Trustees/Trustee Company or any of the directors or key personnel should also be disclosed separately.</p>	None
5	<p>Any deficiency in the systems and operations of the Sponsor of the Mutual Fund or any company associated with the sponsor in any capacity including the AMC or the Trustee Company which SEBI has specifically advised to be disclosed in the offer document, or which has been notified</p>	None

	by any other regulatory agency, shall be disclosed.	
6	Any enquiry/adjudication proceedings under the SEBI Act and the Regulations made thereunder, that are in progress against the Sponsor of the Mutual Fund or any company associated with the Sponsor in any capacity including the AMC, Board of Trustees/Trustee Company or any of the Directors or key personnel of the Asset Management Company shall be disclosed.	None

#### **4. Scheme to be binding on the Unit holders**

Subject to the Regulations, the Trustee may, from time to time, add or otherwise vary or alter all or any of the features of investment options and terms of the Scheme, if necessary, after obtaining the prior permission of SEBI and Unit Holders and the same shall be binding on all the Unit Holders of the Scheme and any person or persons claiming through or under them as if each Unit Holder or such person expressly had agreed that such features and terms shall be so binding. Any additions / variations / alternations shall be done only in accordance with the Regulations.

#### **5. Register of the Scheme's Unit holders**

Registers of Unit Holders, containing necessary particulars, will be maintained at the Registered office of the AMC at Mumbai, and at the office of the Registrar at Chennai and at such other places as the Trustee may decide.

#### **6. Website**

The website of the Fund / AMC is intended solely for the use of Resident Indians, NRIs, PIOs and FIIs registered with SEBI. It should not be regarded as a solicitation for business in any jurisdiction other than India. In particular, the information is not for distribution and does not constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction where such activity is prohibited, Any persons resident outside India who nevertheless intend to respond to this material must first satisfy themselves that they are not subject to any local requirements which restrict or prohibit them from so doing. Information other than that relating specifically to the AMC / the Fund and its products, is for information purposes only and should not be relied upon as a basis for investment decisions. The AMC cannot be held responsible for any information contained in any website linked from this website.

## **7. Omnibus Clause**

Besides the AMC, the Trustee / Sponsor may also absorb expenditures in addition to the limits laid down under Regulation 52 of the SEBI Regulations.

Further, any amendment / clarification and guidelines including in the form of notes or circulars issued from time to time by SEBI for the operation and management of mutual fund shall be applicable.

## **8. Documents available for inspection**

Copies of the following documents will be available for inspection on all Business Days during the NFO Period and afterwards, between 10 a.m. and 3 p.m. at the Registered Office of the AMC at 6th floor, Chandermukhi, Nariman Point, Mumbai 400 021.

- Memorandum and Articles of Association of the Trustee Company and of the AMC.
- Custodian Agreement dated July 31, 2006 between the Trustee and Deutsche Bank A G.
- Investment Management Agreement dated April 27, 2006 between the Fund and the AMC.
- Trust Deed dated April 27, 2006.
- Fund Registration Certificate dated July 24, 2006 from SEBI.
- Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- Indian Trusts Act, 1882.
- Registrar and Transfer Agent Agreement dated July 31, 2006 between the AMC and Computer Age Management Services Private Limited
- Letter of consent of Auditors and Legal Advisors.

### NOTES:

Notwithstanding anything contained in this offer document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.

The terms of the scheme were approved by the Trustees on April 26, 2007. The trustees have ensured that the Lotus India Monthly Interval Fund approved by them is a new product offered by Lotus India Mutual Fund and not a minor modification of the existing scheme/fund/product.

For and on behalf of the Board of Directors of  
Lotus India Asset Management Company Private Limited  
(Investment Manger to Lotus India Mutual Fund)

**Sd/-**  
**Ajay Bagga**  
**Chief Executive Officer**

Place: Mumbai  
Date: November 29, 2007