

SAHARA MUTUAL FUND

OFFER DOCUMENT

SAHARA POWER FUND

(An open ended sectoral growth scheme)

An Offer of units @ Rs. 10/- per unit for cash plus applicable entry load during New Fund Offer period and at the applicable NAV with applicable entry load thereafter upon reopening.

New Fund Offer Opens on: _____

New Fund Offer Closes on: _____

Continuous Offer open for Sale and Repurchase on _____

SAHARA MUTUAL FUND

Corporate Office

97-98, 9th Floor, Atlanta

Nariman Point, Mumbai – 400021

Email: saharamutual@saharamutual.com

Website: www.saharamutual.com

SPONSOR

Sahara India Financial Corporation Limited

Sahara India Bhawan, 1-Kapoorthalla Complex, Lucknow -226024

BOARD OF TRUSTEES AS TRUSTEE

INVESTMENT MANAGER

Sahara Asset Management Company Private Limited

Regd Office: 97-98, 9th Floor, Atlanta

Nariman Point, Mumbai – 400021

This Offer Document sets forth concisely the information about the Scheme(s) that a prospective investor ought to know before investing. This Offer Document should be read in its entirety before making an application for the units and should be retained for future reference.

The particulars of the Scheme(s) have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended till date, and filed with Securities and Exchange Board of India. The Units being offered for public subscription have not been approved or disapproved by the Securities and Exchange Board of India nor has the Securities and Exchange Board of India certified the accuracy and adequacy of this Offer Document.

This Offer Document shall remain effective till a 'material change' occurs and thereafter, the changes shall be filed with SEBI and circulated to the unit holders alongwith half-yearly/ yearly reports. An addendum shall be attached to the offer document containing the changes. The Offer document shall be updated at least once in every two years. Investors may also like to ascertain about any further changes after the date of Offer Document from the Mutual Fund/its Investor Service Center/Distributors or Brokers.

This Offer Document is dated _____.

SAHARA MUTUAL FUND

97-98, 9th Floor, Atlanta
Nariman Point,
Mumbai – 400021

SPONSOR

Sahara India Financial Corporation Limited
Sahara India Bhawan
1-Kapoorthala Complex
Lucknow 226 024.

INVESTMENT MANAGER

Sahara Asset Management Company Private Limited.
97-98, 9th Floor, Atlanta
Nariman Point,
Mumbai – 400021

REGISTRAR AND TRANSFER AGENT

KARVY Computershare Private Limited
21, Avenue 4, Street No .1
Banjara Hills,
Hyderabad-500 034

CUSTODIAN

HDFC Bank Ltd.,
Kamala Mills Compound
Senapati Bapat Marg, Lower Parel
Mumbai 400 013.
SEBI Registration No:IN/CUS/001

STATUTORY AUDITORS

Chaturvedi & Co
Chartered Accountants
81, Mittal Chambers,
Nariman Point
Mumbai- 400 021.

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I. DEFINITIONS

In this Offer Document, the following words and expressions shall have the meaning specified herein, unless the context otherwise requires:

ADRs and GDRs	<p>American Depository Receipt (ADR) is a negotiable certificate issued to represent specified number of shares (or one share) in foreign stock that is traded on a U.S. Exchange. ADR are denominated in U.S. dollars.</p> <p>Global Depository Receipt (GDR) is a negotiable certificate held in the bank of one country representing a specific number of shares of a stock traded on an exchange of another country.</p>
“AMC” or “Asset Management Company” or “SAMCPL” or “Investment Manager”	Sahara Asset Management Company Private Limited (SAMCPL) (Formerly First India Asset Management Pvt Ltd), incorporated under the provisions of the Companies Act, 1956 and approved by Securities and Exchange Board of India (SEBI), to act as the Asset Management Company for the Scheme(s) of Sahara Mutual Fund.
Applicable NAV	The Net Asset Value applicable for additional Redemption/Repurchase/Switches etc., based on the Business days and relevant cut-off times on which the application is accepted at relevant official point of acceptance.
“AMFI”	Association of Mutual Funds in India.
“Business Day”	<p>Any day other than a</p> <ul style="list-style-type: none"> (i) Saturday and Sunday ; (ii) a day on which the banks in Mumbai and/or RBI are closed for business/clearing ; (iii) a day on which the Bombay Stock Exchange and/or National Stock Exchange are closed ; (iv) which is a public and/or bank holiday at a collection centre where the application is received ; (v) a day on which sale and repurchase of units is suspended by the AMC ; (vi) a day on which normal business could not be transacted due to storms, floods, bandhs, strikes or such other events as the AMC may specify from time to time. <p>The AMC reserves the right to declare any day as a business day or otherwise, at any or all ISC's or collection centers.</p>

“Business Hours”	Presently from 9.30 pm to 6.30 p.m. on any Business Day or such other time as may be decided by the AMC from time to time and the same may be different for different Investor Service Centers and for different Plans.
“Custodian”	A person who has been granted a certificate of registration to carry on the business of Custodian of Securities under the Securities and Exchange Board of India (Custodian of Securities) Regulations 1996, which for the time being is HDFC Bank Ltd, Mumbai.
“Debentures”	These are both convertible & non-convertible debenture. Convertible debentures are those, which are fully or partially convertible into equity shares, and non-convertible debentures are those, which cannot be converted into equity shares.
“Depository”	Depository as defined in the Depositories Act, 1996 (22 of 1996).
“Dividend”	Income distributed by the Mutual Fund on the Units.

Debt instruments”	Government Securities, Debentures, Bonds, Promissory Notes, Money Market Instruments, Pass-Through Certificate, Asset Backed Securities / Securitized Debt and other similar securities.
“Entry Load” or “Sales Load”	Load on Sale / Switch in of Units.
“Exit Load” or “Repurchase Load” or “Redemption Load”	Load on Repurchase / Redemption / Switch out of Units.
“FII”	Foreign Institutional Investor, registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended from time to time.
“Fund / Name of the Fund”	Sahara Power Fund is the name of the Fund launched hereunder including the options offered under the Fund.
“Gilts or Government Securities”	Securities created and issued by the Central Government and/or a State Government (including Treasury Bills) or Government Securities as defined in the Public Debt Act, 1944, as amended from time to time.
“New Fund Offer Period”	The date on or the period during which the New Fund Offer subscription of units of the Fund can be made i.e. _____, to _____, subject to extension, if any, such that the New Fund Offer Period does not exceed 30 days.
“Investment Management Agreement” or “IMA”	The Agreement dated July 18, 1996 and supplementary agreement entered into between Trustees of Sahara Mutual Fund (Formerly First India Mutual Fund) and the AMC, Sahara Asset Management Company Private Limited as amended from time to time.
“Investor Service Centers” or “ISCs” or “KARVY Computershare (P) Ltd or “KARVY”	Designated branches of the Mutual Fund / AMC / Registrar or such other centers / offices as may 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 the unit

	holders at the time of Redemption of units from the scheme. / Redemption / Switch out and in the case of Sale / Switch in of a Unit, a sum of money to be paid by the prospective investor, on the Sale /
Sahara Power Fund	Sahara Power Fund is an open ended growth scheme with options namely 1) Dividend including Dividend Re-investment Option 2) Growth Option.
“Money Market Instruments”	Commercial Papers, MIBOR linked instruments, Commercial Bills, Treasury Bills, Government Securities having an unexpired maturity upto one year, certificate of deposit, usance bills discounting Fund, repo / reverse repo and any other like instruments as specified from time to time by RBI.
“Mutual Fund” or “the Fund”	Sahara Mutual Fund (formerly First India Mutual Fund), a Trust set up under the provisions of Indian Trust Act, 1882 by a Trust deed dated July 18, 1996 (and amendment to Trust deeds).
“NAV”	Net Asset Value per Unit of the respective options, calculated in the manner described in this Offer Document, or, as may be prescribed by the SEBI Regulations from time to time.
“NRI”	A Non-Resident Indian or a person of Indian origin residing outside India.
“Offer Document”	This document issued by Sahara Mutual Fund, offering Units of Sahara Power Fund for subscription.

“Public Offering Price” / “POP”/ New Fund Offer Price	‘POP’ is the price at which the units are proposed to be sold and may include permissible load amount.
“RBI”	Reserve Bank of India, established under the Reserve Bank of India Act, 1934.
“Registrar and Transfer Agent”	KARVY Computershare (P) Ltd Hyderabad, currently acting as registrar to the Fund.
“Repo” / “Reverse Repo”	Sale / purchase of Securities as may be allowed by RBI from time to time with simultaneous agreement to Repurchase / resell them at a later date.
“Repurchase / Redemption”	Repurchase / Redemption of Units under the Fund as permitted.
“Sahara India Financial Corporation Limited” or “Sponsor” or “Settlor”	Sahara India Financial Corporation Limited
“Sahara AMC” or “AMC” or “Asset Management Company” or “Investment Manager”	Sahara Asset Management Company Private Limited incorporated under the provisions of the Companies Act, 1956 and approved by Securities and Exchange Board of India (SEBI), to act as the Asset Management Company for the Fund of Sahara Mutual Fund.
“Sale / Subscription”	Sale or Allotment of Units to the Unit holder upon subscription by the investor / applicant under the Fund.
“SEBI”	The Securities and Exchange Board of India, established under the Securities and Exchange Board of India Act, 1992.
“SEBI Regulations” or “Regulations”	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended from time to time and shall also include any Mutual Fund Regulations, Circulars, Press Releases or Notifications that may be issued by SEBI or the Government of India to regulate the activities and growth of Mutual funds.
“Switch”	Redemption of a Unit in Fund (including the option therein) of the Mutual Fund against purchase of a Unit in another Fund (including the options therein) of the Mutual Fund, subject to applicable terms and conditions.
“Trust Deed”	The Trust deed dated July 18, 1996 including amendments made from time to time between the

	Sponsor and Sahara Mutual Fund (Formerly First India Mutual Fund), thereby establishing an irrecoverable Trust, called Sahara Mutual Fund.
“Unit”	The interest of the Unit holder, with each Unit representing one undivided share in the assets of the Fund.
“Unit holder” or “Investor”	A person holding Units in the Fund offered under this Offer Document.

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 “dollars” or “\$” or “USD” refer to United States Dollars and “Rs” refer to Indian Rupees. A “crore” means “ten million” and a “lakh” means a “hundred thousand”.
- Words and expressions used herein but defined in SEBI Act, 1992 or the SEBI (Mutual Funds) Regulations, 1996 shall have the meanings respectively assigned to them therein.

II. HIGHLIGHTS

- **Sponsor:** Sahara India Financial Corporation Limited, (SIFCL) is the flagship company of Sahara India Group. Incorporated in 1987, SIFCL is the First Residuary Non-Banking Company (RNBC) in India that has been granted certificate of registration by RBI and is considered to be a leading public deposit mobilization company in the Private sector. The Sahara India Group has over the years emerged as a multi-service and multi-product business conglomerate with diverse interests in fields such as Life Insurance, Para banking, Housing, Infrastructure & Tourism, Consumer Products, Media & Entertainment.

Investment Objective: The investment objective is to generate long term capital appreciation through investment in equities and equity related securities of companies engaged in the business of generation, transmission, distribution of Power or in those companies that are engaged directly or indirectly in any activity associated in the power sector.

There can be no assurance that the investment objective of the Scheme will be realized. The scheme does not assure any guaranteed returns.

- **New Fund Offer Price:** The offer of units at Rs.10/- per unit for cash plus applicable entry load during the New Fund Offer period.

Choice of Investment Options:

Options	Minimum Amount (Rs)
1) Dividend including Dividend Re-investment	Rs.5000/- and in multiples of Re.1/- thereafter
2) Growth option	Rs.5000/- and in multiples of Re.1/- thereafter

- **Dividend Option:** Distribution of dividend will be subject to availability of distributable surplus, as computed in accordance with SEBI (Mutual Funds) Regulations 1996.
- The Trustees reserve the right to declare dividends at any time during the currency of the scheme. There is no assurance or guarantee as to the rate and frequency of dividend declaration. Dividends as and when declared will be paid to eligible unit holders, within 30 days of the declaration of dividend.

Investors are clearly required to indicate the option under the Fund in the application form. In the absence of clear indication as to the choice of options, units will by default be allotted under the Dividend Reinvestment Option.

- **NAV Declaration:** NAV calculated up to 4 decimal places and NAV published on all business day of the month.
- **Liquidity:** – Being open ended, the Scheme provides investors with a high degree of liquidity. Units may be purchased or redeemed on any business day on an ongoing basis from not later than 30 days after the close of New Fund Offer period, at NAV related price subject to prevailing Load, if any. The redemption cheques will be dispatched to the unit holders within the statutory time limit of 10 Business days. However, the Fund will, under normal circumstances, endeavor to dispatch redemption proceeds at T + 3 bases from the date of acceptance of the requests. The repurchase / switch out request can be made for any amount of Rs.1000/- more.
- **Transparency** – The AMC will calculate and 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 calculated and daily basis and would be made available to the press, news agencies and the Association of Mutual Funds of India . In addition, the ISCs would also display the NAV.
- **Flexibility** – Unit holders will have the flexibility to alter the allocation of their investments among the Scheme(s) offered by the Mutual Fund in order to suit their changing investment needs, by means of switch out option to the Scheme(s) of the Mutual Fund.
- **Repatriation:** – Repatriation benefits would be available to NRIs/FIIs/PIOs subject to applicable law.

III. RISK FACTORS

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 investments in securities, the Net Asset Value of Units issued under the Scheme(s) can go up or down depending on various factors and forces affecting the capital markets.
- Past performance of the sponsor and its affiliates, AMC, Mutual Fund does not indicate or guarantee the future performance of the Scheme(s) of the Mutual Fund and may not necessarily provide a basis for comparison with other investments.
- The name(s) of the Scheme(s) do not in any manner indicate either the quality of the Scheme(s), their future prospects or returns. Investors are therefore urged to study the terms of the offer carefully and in its entirety and consult their Investment Advisor before they invest in the Scheme(s).
- The Sponsor is not responsible or liable for any loss or shortfall resulting from the operations of the Mutual Fund beyond the initial contribution of Rs.1 lakh made by it towards setting up of the Mutual Fund.
- Investors in the Scheme are not being offered a guaranteed or assured rate of return and the actual returns to an investor will be based on the actual NAV, which may go up or down depending upon the market conditions. The Mutual fund is not guaranteeing or assuring any dividend or that it will make

any dividend distribution at all. In any event, dividend distributions are subject to the Investment performance of the scheme.

SCHEME SPECIFIC RISK FACTORS & SPECIAL CONSIDERATION:

- The scheme is an open ended income scheme. Hence, it is not proposed to be listed on any stock exchange at present as it will be available for repurchase and redemption not later than 30 days after the close of the New Fund Offer period on all business days (except book closure if any).

- The fund proposes to invest in various types of Equity and Equity related instruments as per the investment objective.. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of some of the investments made by the Scheme(s).
- The liquidity of the scheme is inherently restricted by trading volumes in securities in which they invest.
- All debt securities are exposed to interest rate risks, credit risks and reinvestment risk.
- The value in the investments is bound to change with changes in the factors affecting the market viz. changes in interest rates, exchange rates, price and volume fluctuations in debt markets, taxation, government policies and other economic and political developments.
- Different segments of the Indian Financial Markets have different settlement periods and such periods may be extended significantly, by unforeseen circumstances leading to delays in receipt of selling proceeds. The period for settlement, the time taken by the Mutual Fund for redemption of Units may be significant in the event of an inordinately large number of redemption requests or restructuring of the Scheme(s) investment portfolio.
- The AMC has a right to limit repurchases (including suspending repurchases), under certain circumstances. Please read the section of the Offer Document titled “Right to limit repurchases”.
- The Scheme may be affected by a general decline in the Indian markets.

- **Risk associated with investment in Securitised Instruments:**

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

Underlying Risk : Each asset class has a different underlying risk, however, residential mortgages are generally thought to have lower default rates. 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 collateralization and guarantee to bring risk limits in line with the other AAA rated securities. Please note that predominantly the scheme intends to invest in only AAA rated □crutinize□ debt.

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

Nature & 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: 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 50 car loans having original maturity of 60 months, if more than 60% of the contracts have paid more than 40% 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 4 installments.

Borrowers Contribution vis a vis Loan: Indicates how much percentage value of the asset is financed by borrower's own equity. The higher the contribution of the borrower 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 House costing Rs.20 lakhs, 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 lakhs if he defaults in repaying an installment.

Repayment Discipline of the pool: 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: Indicates how much percentage 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.

Credit Enhancement: Unlike in plain vanilla instruments, in □crutinize□□on transactions it is possible to enhance the 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 collections from the pool of receivables for a given period are short of the contractual payouts on □crutinize□□on. Securitisation are normally non-recourse instruments and therefore, the repayment on □crutinize□□on 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.

Internationally, the quality of credit ratings is measured by default rates and stability. In the Indian scenario, 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 Fund with reference to Securitised Debt:

The Fund will predominantly invest only in those rated securitized issuances at the time of making an investment.

It is frequently observed that securitized debt carrying similar credit and interest rate risk characteristics offer higher returns when compared to normal debt instruments. The Scheme may invest upto 20 % of its net assets in securitized debt to gain from the higher yields offered by these instruments. The decision to invest in securitized debt will be based on the Fund Manager's analysis of the comparative risk return profiles of the various instruments available in the market, including securitized debt.

The fund may invest in various type of securitized 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 fund 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 rating of the offering.

Risk Factors specific to investments in Securitised Instruments:

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 securitized 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 securitised 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 and may differ depending upon the interest rate movement and speed of prepayment etc. 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

Securitized transactions are normally backed by pool of receivables and credit enhancement as stipulated by the rating agency, which differ from issue to issue. The Credit Enhancement stipulated represents a limited loss cover to the Investors. These Certificates represent an undivided beneficial interest in the underlying receivables and there is no obligation of either the Issuer or the Seller or the originator, or the parent or any affiliate of the Seller, Issuer and Originator. No financial recourse is available to the Certificate Holders against the Investors' Representative. 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 a 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:

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 contracts 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 Obligors 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.

Different types of securities in which the scheme would invest as given in the offer document carry different levels and types of risk. Accordingly the scheme's risk may increase or decrease depending upon its investment pattern. Eg. Corporate bonds carry a higher amount of risk than Government securities. Further even among corporate bonds, bonds which are AAA rated are comparatively less risky than bonds which are AA rated.

- The Liquidity of investments made in the scheme may be restricted by trading volumes, settlement periods and transfer procedures. Different segments of the Indian Financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. There have been times in the past, when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to conduct further transactions. Delays or other problems in the settlement of transactions could result in temporary periods when the assets of the scheme are not invested and no return is earned thereon. The inability of the scheme to make intended securities purchases, due to settlement problems, could cause the scheme to miss certain investment opportunities.
- The Scheme(s) may also use derivative and hedging products from time to time, as would be available and permitted by SEBI, in an attempt to protect the value of the portfolio and enhance unit holder's interest. The Risk associated with dealing in Derivatives trading is given under "Derivative Risk".
- 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 subject to registration requirements and accordingly, persons who come into possession of this Offer Document are required to inform themselves about, and to observe, any such restrictions. No person(s) receiving a copy of this Offer Document or any accompanying application form in such jurisdiction may treat this Offer Document or such application form as constituting an invitation to subscribe for Units. It is the responsibility of any person(s) in possession of this Offer Document and any persons wishing to apply for Units pursuant to this Offer Document to inform them of and to observe, all applicable laws and Regulations of such relevant jurisdiction.
- No person(s) has been authorized to give any information, issue any advertisement or make any representations other than that contained in this Offer Document and any such information or

representations not contained herein must not be relied upon as having been authorized by the Mutual Fund or the AMC or the Trustees. Statements made in this Offer Document are based on the laws and factors currently in force in India and are subject to change therein. Neither the delivery of this Offer Document nor any sale made here under shall, under any circumstances, create any impression that the information herein is correct as of any time subsequent to the date hereof.

- Prospective investors should study this Offer Document carefully and in its entirety and shall not construe the contents hereof, as advised relating to legal, taxation, or financial / investment or any other matters and are advised to consult their legal, tax, investment and other professional advisors to determine possible legal, tax, financial or other considerations or implications relating to subscription, gifting, acquisition, holding, disposal of units and to the treatment of income and other tax consequences, before making an application for investment in units.

SPECIAL CONSIDERATIONS

Investments in a Scheme(s) should be viewed by an Investor / Unit holder as a medium to long term investment as Mutual Funds carry normal market risks and there can be no assurance and no guarantee that the Scheme(s) will achieve its objectives. It is recommended that an investment in the Scheme(s) should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all, as investment decisions made by the Asset Management Company will not always be profitable or prove to have been correct. As with any investments in stocks, shares and securities, the NAV of the Units under this Scheme(s) can go up or down, depending on the factors and forces affecting the capital markets. Investors / Unit holders attention is drawn to the risk factors set out in the Clause(s) of the section titled “Investment Strategy” of this Offer Document and also to the following specific risks:

Investment Risk

Mutual Funds being vehicles of securities investments are subject to market and other risks and there can be no guarantee against loss resulting from investing in the Scheme. The various factors which impact the value of the Schemes’ investments include, but are not limited to, fluctuations in the equity and bond markets, fluctuations in interest rates, prevailing political and economic environment, changes in government policy, factors specific to the issuer of the securities, tax laws, liquidity of the underlying instruments, settlement periods, trading volumes, etc.

Interest Rate Risk

The value of Money Market / Debt Instruments held by the Scheme(s) generally will vary inversely with the changes in prevailing interest rates. AMC, while investing in fixed income instruments shall consider and evaluate the risk of an issuer’s ability to meet principal and interest payments (credit risk) and also the price volatility due to such factors as interest sensitivity, market perception or the credit worthiness of the issuer and general market liquidity (market risks).

Credit Risk

The AMC may, from time to time, considering the overall risk of the portfolio, invest in high yielding / growth, lower rated and /or privately placed /unlisted / securitised securities. Lower rated or unrated securities are more likely to react to developments affecting market and credit risks than highly rated securities. The credit risks factors pertaining to lower rated securities also apply to lower rated zero coupon and deferred interest bonds. As zero coupon securities do not provide periodic interest payments to the holder of the security, these securities are more sensitive to changes in interest rates. The AMC may choose to invest in zero coupon securities that offer attractive yields and carry higher interest rate risks. This may increase the risk of the portfolio.

Reinvestment Risk

The risk refers to the interest rate levels at which the cash flows received from the securities are reinvested. The additional income from reinvestment is the “interest on interest” component. The risk is that the rate at which the interim cash flows can be reinvested may be lower than that originally assumed.

Derivative Risk

The Fund may use derivative instruments like Interest Rate Swaps, Forward Rate Agreements or other derivative instruments for the purpose of hedging and portfolio balancing or as permitted under the Regulations and guidelines from time to time.

As and when the Scheme(s) trades in the derivatives market there are risk factors and issues concerning the use of derivatives that 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 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. Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the 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.

Additional risks could be on account of illiquidity and hence mispricing of the future at the time of purchase. As and when the scheme trades in the derivatives market, there are risks factors and issues concerning the use of derivatives.

Foreign Exchange Risk

At present, the fund does not intend to invest in foreign securities. The Scheme(s) may in future invest in overseas financial assets, foreign securities etc, as and when permitted by the concerned regulatory authorities in India and as per SEBI regulations from time to time. To the extent that the assets of the Scheme(s) will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in the value of the respective foreign currencies relative to the Indian Rupee. The repatriation of the capital or interest to India may also be hampered by changes in applicable laws. In addition, country risks would include events such as introduction of extraordinary exchange control, economic deterioration, bi-lateral conflict and/or immobilization of the overseas financial assets.

Securities lending Risk

As with other modes of extensions of credit, securities lending carry inherent risks, including the risk of failure of the approved intermediary and/or the borrower, to comply with the terms of agreement entered into between the lender of securities, i.e, the scheme(s) and the approved intermediary and/or borrower.

Such failure can result in the possible loss of rights to 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.

Political Risk

The Indian market which was formerly restrictive has been in a process of deregulation in recent years. This process has involved the removal of trade barriers and other protectionist measures, which could adversely affect the value of investments. Future changes in the Indian political scenario, including political, social or economic instability, diplomatic developments and changes in laws or Regulations could have an effect on the value of investments. Confiscatory taxation, expropriation or other relevant developments could also affect the value of investments.

Liquidity & Settlement Risk

The liquidity of the Scheme(s) investments may be inherently restricted by trading volumes, transfer procedures and settlement periods. From time to time, the Scheme(s) will invest in certain securities of certain companies, industries, sectors, etc. based on certain investment parameters adopted internally by the AMC. While at all times, the Trustees and the AMC will endeavor that excessive holding / investment in certain securities of industries, sectors, etc., by the Scheme(s) be avoided, the assets invested by the Scheme(s), in certain securities of industries, sectors, etc., may acquire a substantial portion of the Scheme(s) investment portfolio and collectively may constitute a risk associated with non-diversification and thus could affect the value of investments. The Scheme(s) may have difficulty in disposing off of certain securities as the securities may be unlisted, due to greater price fluctuations there may be a thin trading market, different settlement periods and transfer procedures for a particular security at any given time. Settlement if accomplished through physical delivery of documents/instruments is labour and paper intensive and may affect the liquidity. It should be noted that the fund bears the risk of purchasing fraudulent or tainted papers. The secondary market, for Money Market / Debt Instruments does exist, but is generally not as liquid as the secondary market for other securities. Reduced liquidity in the secondary market may have an adverse impact on market price and the Scheme(s) ability to dispose off particular securities, when necessary, to meet the Scheme(s) liquidity needs or in response to a specific economic event, such as the deterioration in the credit worthiness of the issuer, etc., or during re-structuring of the Scheme(s) investment portfolio. Furthermore, from time to time, the AMC, the Custodian, the Registrar or any associate, distributor, dealer, company, corporate bodies, trusts, any scheme/Mutual Fund managed by the AMC or by any other AMC may invest in the Scheme(s). While at all times, the Trustees and the AMC will endeavor to ensure that excessive holding of Units in the Scheme(s) among a few unit holders is avoided, the amounts invested by these aforesaid persons may however, acquire a substantial portion of the Scheme(s) outstanding Units and collectively may constitute a majority Unit holder in the Scheme(s). Accordingly, redemptions of Units held by such persons may have an adverse impact on the value of redemption and may impact the ability of the Unit holders to redeem their respective Units.

From time to time, and subject to Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, the Sponsor, investment companies of the Sponsor, funds managed by the Sponsor, their affiliates, associate companies, subsidiaries, the AMC and the Trustee Company/Trustees may invest either directly or indirectly in the Scheme(s). While, at all times the Trustees and the AMC will endeavor that excessive holding of Units in the Scheme(s) among a few Unit holders is avoided, these entities may however, acquire a substantial portion of the Scheme(s) Units and collectively constitute a major investor in the Scheme(s). Accordingly, redemption of Units by such entities may have an adverse impact on the value of the redemption and may impact the ability of the Unit holders to redeem their respective Units.

The Schemes may invest in securities which are not quoted on a stock exchange (“unlisted securities”) which in general are subject to greater price fluctuations, less liquidity and greater risk than those which

are traded in the open market. Unlisted securities may lack a liquid secondary market and there can be no assurance that the Schemes will scrutinize its investments in unlisted securities at a fair value.

Others:

No person is authorized to give any information or to make any representation inconsistent with this offer document in connection with the New Fund Offer and /or issue of units of Sahara Power Fund

This Offer Document includes all the points mentioned in the Standard Observations issued by SEBI.

This Offer Document contains no deviations from and neither have any subjective interpretations been applied to the provisions of any regulations. All contents in this offer document have been checked and be factually correct.

Any information or representation not contained herein this document must not be relied upon as having been authorized by the Mutual Fund or the Investment Manager.

All information in the Offer Document and Key Information Memorandum will be updated considering the standard observations, 30 days before the launch of the scheme/fund.

The Standard Observations/ clarifications, as far as possible and applicable shall also be followed in case of existing schemes till the offer documents are revised and updated.

Prevention of Money Laundering and Know Your Customer (KYC)

To ensure appropriate identification of the investor and with a view to monitor transactions for the prevention of money laundering, 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 Sahara Mutual Fund; (b) reject any application, prevent further transactions by a unit holder and (c) to mandatorily redeem the units held by the unit holder at the applicable NAV prevalent at the time of such redemption.

In furtherance of the 'Know Your Customer' policy, the AMC shall have absolute discretion to reject any application, prevent further transactions by an investor / unit holder, including mandatory redemption of units, if the unit holder / investor does not satisfy the 'Know Your Customer' requirements of the AMC or the AMC believes that the transaction is suspicious in nature as regards money laundering.

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 programme, verify and maintain the record of identity and address(es) of investors.

Presently, it is considered mandatory for all applications to provide proof of address and proof of identity as part of the client identification procedure.

MINIMUM NO. OF INVESTORS AND SINGLE INVESTOR HOLDING

SEBI circular dated December 12, 2003 ref SEBI/IMD/CIR No. 10/22701/03 on new schemes states :

V. For New Schemes/Plans launched on and after the date of this Circular

Each scheme and individual plan(s) under the schemes should have a minimum of 20 investors and no single investor should account for more than 25% of the corpus of such scheme/plan(s).

1. In case of open ended schemes:

- i. In the case of non-fulfillment with either of the above two conditions i.e. minimum of 20 investors and no single investor should account for more than 25% of the corpus of the scheme/plan, a three months time period or the end of succeeding calendar quarter, whichever is earlier, from the close of the New Fund Offer (NFO) of open ended schemes will be available to balance and to ensure compliance with these two conditions, failing which the provisions of Regulation 39 (2) (c) of SEBI (Mutual Funds) Regulations, 1996 would become applicable automatically without any reference from SEBI. Accordingly, schemes /plans shall be wound up by following the guidelines laid down by SEBI.
- ii. After the IPO and the three-months balancing period, in each subsequent calendar quarter thereafter, on an average basis, the schemes/plans should meet with both the conditions (mentioned at point 1). The average would be calculated on the basis of number of investors as at the end of the business hours of the scheme on a daily basis. The average would be calculated at the end of each calendar quarter.

The Fund House shall adhere to the requirements prescribed by SEBI from time to time in this regard.

IV. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY

The following Due Diligence Certificate, duly signed by the Compliance Officer has been submitted to SEBI reads as follows:

DUE DILIGENCE CERTIFICATE

It is confirmed that:

- i) The draft Offer Document forwarded to SEBI is in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time.
- ii) All legal requirements connected with the launching of the Fund 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.
- iii) The disclosures made in the Offer Document are true, fair and adequate to enable the investors to make a well-informed decision regarding investments in the proposed Scheme.
- iv) According to the information given to us, all the intermediaries named in the offer document are registered with SEBI and till date such registration is valid.

Place: Mumbai.
Date: 28/11/2007

Signed : sd/-
Name :Shri Sudhir Kaup
Designation: Compliance Officer

V. SUMMARY OF SCHEME

SAHARA POWER FUND

Name of the Scheme	SAHARA POWER FUND
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Nature of the Scheme	An open ended sectoral growth scheme.
New Fund Offer	Rs. 10/- per unit for cash plus applicable entry load during the New Fund Offer period and at the applicable NAV with applicable entry load thereafter.
Investment Objective	The investment objective is to generate long term capital appreciation through investment in equities and equity related securities of Companies engaged in the business of generation, transmission, distribution of Power or in those companies engaged directly or indirectly in any activity associated with the power sector. There can be no assurance that the investment objective of the Scheme will be realized. The scheme does not assure any guaranteed returns.
Sub-Options	Each Plan offers investment under applicable options namely 1) Dividend Option including Dividend Re-investment 2) Growth option. In case, the Option is not indicated by the investor at the time of investment, the default option would be Dividend Re-investment Option.
Minimum Application Amount	The minimum investment amount for all categories of investors would be Rs.5000/- and in multiples of Re.1/- thereafter for all options.
Load	Entry Load : 2.25% Exit Load : Nil Switches would attract applicable loads as per respective schemes. The Trustee reserves the right to change the Load structure if it so deems fit in the interest of the smooth and efficient functioning of the scheme, on a prospective basis.
Duration of New Fund Offer	The Investment Plans being launched under the Sahara Power Fund will open for subscription from _____ to _____ during the New Fund Offer (NFO) period. The Trustees may close the subscription list by giving at least one day notice in one National Newspaper. The Trustees reserve the right to extend the closing date for New Fund Offer period subject to the condition that the New Fund Offer shall not be kept open for more that 30 days.
Minimum Subscription to be collected by the Fund	The Mutual Fund seeks to raise a minimum subscription of Rs 1 Lakh under the Fund and would retain any excess subscription collected.
New Fund Issue expenses	Under the SEBI Regulations and SEBI Circular dated April 4, 2006 on Rationalisation of Initial Issue Expenses : Open ended scheme should meet the sales, marketing and other such expenses connected with sales and distribution of schemes from the entry load and not through initial issue expenses.
Bench Mark Index	S & P CNX Nifty
Liquidity	The Scheme will offer units for purchase and redemptions at NAV based prices on all business days on a ongoing basis commencing not later than 30 days from the close of New Fund Offer Period. The redemption cheques will be dispatched to the unit holders within the statutory time limit of 10 business days. However, the Fund will, under normal circumstances, endeavor to dispatch redemption proceeds on T + 3 basis from the date of acceptance of the requests. The repurchase request can be made for any amount of Rs.1000/- or more.

VI. CONSTITUTION OF THE MUTUAL FUND

1) CONSTITUTION

Sahara India Financial Corporation Limited, became the sponsor of the Sahara Mutual Fund (Formerly First India Mutual Fund) on acquiring the major equity shares of the Asset Management Company from Dr. A C Muthiah, the erstwhile sponsor after obtaining approval from SEBI (vide their letter no. IMD/SP/21516/03 dated November 13, 2003), unit holders and other necessary formalities. Consequent to the same, the powers, duties and initial contribution of Rs. 1 (one) Lakh vested in the erstwhile sponsor to the Trust gets transferred in the name of Sahara India Financial Corporation Limited. Necessary amendments to the Trust deed have being carried out.

The Trustees have the exclusive ownership of the trust fund of Rs. 1 (One) Lakh and are vested with the general powers of superintendence, directions and management of the affairs of the Trust. The Trustee has appointed Sahara Asset Management Company Private Limited (Formerly First India Asset Management (P) Ltd.) as the Investment Manager to Sahara Mutual Fund (Formerly First India Mutual Fund).

Sahara Mutual Fund (Formerly First India Mutual Fund) has been notified under Section 10 (23D) of the Income Tax Act by Central Board of Direct Taxes (GAZETTE notification no. S.O.52 (E) dated January 18, 1995) with respect to exemption from Income Tax of the entire income of the fund in India and therefore, all such income received by the fund will be without any deduction of tax at source.

As AMC to the Fund, Sahara Asset Management Company Private Limited will frame, float and issue Scheme(s) from time to time after seeking approval from the Trustees and SEBI as well as manage the funds mobilized under the various Scheme(s), in accordance with the provisions of the Trust Deed and the SEBI Regulations. Sahara Asset Management Company Private Limited is also responsible for co-ordination with the registrar, brokers and agents ensuring compliance with regulatory and statutory provisions and submitting necessary compliance reports to regulatory bodies. The Trustees have appointed HDFC Bank Ltd as the Custodian and KARVY Computer share Private Ltd, as the Registrar and Transfer Agents for the Scheme(s) being offered through this Offer Document.

The Trustees shall ensure compliance of all legal Regulations and guidelines applicable to Mutual Funds. They shall also ensure that the AMC adheres to all SEBI and other Regulations with respect to management of Funds raised by the Mutual Fund under various Scheme(s).

2) SPONSOR

GENERAL

Sahara India Financial Corporation Limited, (SIFCL) is a part of the Sahara India Group. The company was incorporated on August 7, 1987 with the Registrar of Companies, Kanpur, Uttar Pradesh. The Registered Office of the company is situated at Sahara India Bhawan, 1, Kapoorthala Complex, Lucknow-226024, Uttar Pradesh, India.

The company is a Residuary Non-Banking Company (RNBC) duly registered with Reserve Bank of India (RBI).The company is carrying on its business in strict compliance with Residuary Non Banking Companies (Reserve Bank) Directions, 1987 and is regulated by the Reserve Bank of India by way of on site inspection at yearly basis and off site monitoring through various periodical returns and other data evidencing the compliance with the regulatory frame work.

MANAGEMENT

The affairs of the sponsor company are managed under the guidance and supervision of a highly professional Board, which consists of adequate number of independent directors of eminence and experts of the respective fields. The following persons constitute the Board of Directors of the company as on date:

1. Mr. Subrata Roy Sahara Managing Worker & Chairman	2. Mrs. Swapna Roy
3. Mr. O. P. Srivastava	4. Mr. J. B. Roy
5. Mr. Amitabha Ghosh Former Dy. Governor – Reserve Bank of India	6. Mr. Brijendra Sahay Former Chief Secretary - Govt. of Uttar Pradesh
7. Mr. K. S. Bhatnagar Former Secretary, Ministry of Law, Justice & Company Affairs Govt. of India and Chairman, Company Law Board	

The company has professionals as heads at all operational levels to manage its day-to-day affairs.

CONDENSED FINANCIALS OF SIFCL:

(Rupees in Crs)

	31/03/07	31/03/06	31/03/05
Total income	1,296.13	1092.11	939.25
Profit After Tax	17.75	37.61	22.92
Preference Share capital	300.00	300.00	300.00
Equity Share Capital	98.03	93.03	93.03
Free Reserves	300.00	310.82	293.16
Net worth	669.37	703.85	686.19
Dividend on pref share (Rs)	Nil	16.50	15.00
Dividend on equity share (Rs)	Nil	Nil	Nil
Earning per Share (Rs)	1.88	2.02	2.46
Book value per Share (Rs)	39.15	43.42	41.53

3) TRUSTEES

The Board of Trustees consists of the following persons:

Name of the Trustee	Address	Other Directorship/Trusteeships/Memberships
Justice S Mohan Chairman, Independent Trustee Former Judge –	No. 41, Venkatakrisna Road, Raja Annamalaipuram, Chennai 600 028.	SPEC – Director.

Supreme Court		
Mr. Amitabha Ghosh Associate Dy Governor(Retd) , Reserve Bank of India	25 - 28, Atlanta, Mumbai - 400021	Centenary Leasing Company Private Ltd Kesoram Industries Limited Mysore Cements Limited Orient Paper & Industries Ltd Peninsula Land Ltd Palit Consultancy Pvt Ltd Sahara India Financial Corporation Limited Sahara India Life Insurance Company Limited Shreyas Shopping Limited Xpro India Limited Zenith Fibers Limited Shreyas Relay System Ltd Shree Cement Ltd Joonktolee Tea and Industries Ltd
Mr. S.R. Hegde Independent Trustee Advocate (Retd) Legal Advisor - RBI	D1-707, White House 6 th Main, 15 th Cross R T Nagar Bangalore – 32	Life Member in Indian Council of Arbitration Director - Karnataka Bank Ltd
Mr P Visveswara Rao Independent Trustee Retd. IAS Former, Secretary (Govt of A.P)	Plot No 1282, Road No 64, Jubilee Hills, Hyderabad -500033	Surya Chakra Power Corporation Kakinada SEZ Private Ltd- Hyderabad L & T Pheonix Infopark, Hyderabad Kakatiya Cement & Sugar Ltd Kakinada Refinery & Petrochemicals Pvt Ltd,

(i) Summary Of The Substantive Provisions Of the Trust Deed

The Trust Deed dated July 18, 1996, contains inter-alia, the following clauses that may be of material interest to the investor:

- Frame one or more schemes for the issue of units to be subscribed by the public or class of public or specified person or persons whether singly or otherwise and shall frame such rules and regulations for the issue, re-purchase and redemption thereof and for the distribution of income on units, and modify or alter the said rules and regulations as the Trustees may in their absolute discretion deem fit, the duration of each scheme being indefinite in the case of open-ended schemes.
- In carrying out his/her responsibilities as a member of the Board of Trustees of Sahara Mutual Fund, the individual Trustees shall maintain an arm's length relationship with other companies, or institutions or financial intermediaries or any body corporate with which he/she may be associated in any capacity.
- A member of the Board of Trustees shall not participate in the meetings of the Board or in any decision making process for any investments in which he/she may be interested.
- All members of the Board of Trustees shall furnish to SEBI and the Board of Trustees the interest which he/she may have in any other company, or institution or financial intermediary or any corporate by virtue of his/her position as Director, partner or with which he/she may be associated in any other capacity.
- No member of the Board of Trustees of Sahara Mutual Fund shall be a member of the Board of Trustees of any other Mutual Fund and shall hold them in trust for the Unit holders.
- The Trustees shall take into their custody or under their control all the capital and other property of the various schemes of Sahara Mutual Fund and shall hold them in trust for the Unit holders.

- The Trustees shall supervise the collection of any income receivable by the Fund of any scheme thereunder and any claims for refund of taxes paid and shall hold any income received in trust for the Unit holders in accordance with the Deed of Trust and the guidelines issued by SEBI.
- It shall be the duty of the Trustees to act in the best interest of the Unit holders of the various schemes floated under the Deed of Trust at all times and the Trustees shall provide or cause to be provided to the Unit holders and SEBI such information as may be specified by SEBI from time to time.
- The Trustees shall take reasonable care to ensure that the funds under the schemes are managed by the AMC in accordance with the Deed of Trust and SEBI guidelines.

(ii) Duties And Responsibilities Of The Trustees

- The Trustees and the AMC shall, with the prior approval of SEBI enter into an Investment Management Agreement.
- The investment management agreement shall contain such provisions as are mentioned in the fourth schedule of SEBI Regulations and such other provisions as are necessary for the purpose of making investments.
- The Trustees shall have a right to obtain from the AMC such information as is considered necessary by the trustees.
- The trustees shall ensure before the launch of any scheme that the AMC has
 - ✓ Systems in place for its back office, dealing room and accounting.
 - ✓ Appointed all key personnel including Fund Managers for the Scheme(s) and submitted their bio-data, which shall contain the educational qualifications, past experience in the securities markets within 15 days of their appointment.
 - ✓ Appointed auditors to audit its accounts.
 - ✓ Appointed a Compliance Officer to comply with regulatory requirements and to redress investor grievances.
 - ✓ Appointed Registrars and laid down parameters for their supervision.
 - ✓ Prepared a compliance manual and designed internal control mechanisms including internal audit systems.
 - ✓ Specified norms for empanelment of brokers and marketing agent.
- The Trustees shall ensure that the AMC has been diligent in empanelling the brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with any broker.
- The Trustees shall ensure that the AMC has not given any undue or unfair advantage to any associates or dealt with any of the associates of the AMC in any manner detrimental to interest of the Unit holders.
- The Trustees shall ensure that the transactions entered into by the AMC are in accordance with the SEBI Regulations and the Scheme(s).
- The Trustees shall ensure that the AMC has been managing the Mutual Fund Scheme(s) independently of other activities and has taken adequate steps to ensure that the interest of investors of those Scheme(s) are not being compromised with those of any other Scheme(s) or of other activities of the AMC.
- The Trustees shall ensure that all the activities of the AMC are in accordance with the provisions of the SEBI Regulations.
- Where the Trustees have reason to believe that the conduct of business of the Mutual Fund is not in accordance with the SEBI Regulations and the Scheme(s), they shall forthwith take such remedial

steps as are felt necessary by them, and shall immediately inform SEBI of the violation and the action taken by them.

- Each Trustee shall file the details of his transactions (exceeding Rs.1 lakh) of dealing in securities with the Mutual Fund on a quarterly basis.
- The Trustees shall be accountable for and be the custodian of the property of the respective Scheme(s) and shall hold the same in trust for the benefit of the Unit holders in accordance with the SEBI Regulations and the provisions of the trust deed.
- The Trustees shall take steps to ensure that the transactions of the Mutual Fund are in accordance with the provisions of the trust deed.
- The Trustees 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.
- No amendments to the trust deed shall be carried out without the prior approval of SEBI and unit holders approval would be obtained where it affects the interests of unit holders.
- The trustees shall obtain the consent of the Unit holders: -
 - ✓ Whenever required to do so by SEBI in the interest of the Unit holder; or
 - ✓ Whenever required to do so on the requisition made by three fourths of the Unit holders of any Scheme(s) or
 - ✓ When the majority of the Trustees decide to wind up or prematurely redeem the Units
- The Trustees shall ensure that no change in the fundamental attributes of any Scheme(s) or the trust or fees and expenses payable or any other change which would modify the scheme and affects the interest of Unit holders, shall be carried out unless: -
 - ✓ A written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English daily newspapers having nationwide circulation well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is located;
 - ✓ The Unit holders are given an option to exit at the prevailing net asset value without any exit load.
- The Trustees shall call for the details of transactions in securities by the key personnel of the AMC in their own names or on behalf of the AMC and shall report to SEBI, as and when required.
- The Trustees shall, on a quarterly basis, review all transactions carried out between the Mutual Fund, and AMC and its associates.
- The Trustees shall review that net worth of the AMC on a quarterly basis and in case of any shortfall, ensure that the AMC make up for the shortfall as per clause (f) of sub-Regulations (1) of regulation 21 of SEBI Regulations.
- The Trustees shall periodically review all service contracts such as custody arrangements, transfer agency of the securities and satisfy themselves that such contracts are executed in the interests of the Unit holder.
- The Trustees shall ensure that there is no conflict of interest between the manner of deployment of its net worth by the AMC and the interests of the Unit holders.
- The Trustees shall periodically review the investor complaints received and the redressal of the same by the AMC.
- The Trustees shall abide by the code of conduct as specified in the fifth schedule of SEBI Regulations.
- The Trustees shall furnish to SEBI, on a half yearly basis: -

- ✓ A report on the activities of the Mutual Fund
 - ✓ A certificate stating that the trustees have satisfied themselves that there have been no instances of self dealing or front running by any of the trustees, directors and key personnel of the AMC.
 - ✓ A certificate to the effect that the AMC has been managing the Scheme(s) independently of any other activities and in case any activities of the nature referred to in sub-regulations (2) of regulation 24 have been undertaken by the AMC and has taken adequate steps to ensure that the interests of the Unit holders are protected.
- The independent trustees referred to in sub-regulation (5) of regulation 16 of SEBI Regulations shall give their comments on the report received from the AMC regarding the investments by the Mutual Fund in the securities of group companies of the Sponsor.
 - Disclosures to the investors: - The Trustees shall be bound to make such disclosure to the Unit holders as are essential in order to keep them informed about any information which may have an adverse bearing on their investments.

The Trustees Shall Exercise Due Diligence As Under:

General:

- The Trustees shall be discerning in the appointment of the Board of Directors of the AMC.
- The Trustees shall review the desirability of continuance of the AMC if substantial irregularities are observed in any of the Scheme(s) and shall not allow the AMC to float new Schemes.
- The Trustees shall ensure that the trust property is properly protected, held and administered by proper person and by a proper number of such persons.
- The Trustees shall ensure that service providers are holding appropriate registrations from SEBI or concerned regulatory authority.
- The Trustees shall arrange for test checks of service contracts.
- The Trustees shall immediately report to SEBI any special developments in the Mutual Fund.
- As per SEBI Circular MFD/CIR/16/400/02 & MFD/CIR/01/071/02 dated 26.03.02 & 15.04.02 respectively the trustees will compare the performance of the scheme with the specified benchmark at their meetings.
- As per SEBI Circular MFD/CIR/03/526/2002 dated May 9, 2002 about investment in unlisted equity shares, if any, the trustees would report compliance of the regulations in their reports to SEBI.

Specific:

- Obtain internal audit reports at regular intervals from independent auditors appointed by the trustees.
- Obtain compliance certificates at regular intervals from the AMC.
- Hold meetings of trustees on a Bimonthly basis as per MFD/CIR/10/15895/2002 dt 20.08.2002. Below are the dates of meeting of Trustees held from April 2005 till date as per MFD/CIR/10/15895/2002 dt.20.08.2002.
- Hold meetings of trustees on a Bimonthly basis as per circular MFD/CIR/10/15895/2002 dt 20.08.2002. Below are the dates of meeting of Trustees held from April 2004 till date.

Sr No	Date of meeting	Sr No	Date of meeting
1	31/05/2005	9	18/09/2006
2	26/07/2005	10	28/11/2006
3	20/09/2005	11	19/01/2007
4	22/11/2005	12	21/03/2007
5	22/01/2006	13	18/05/2007
6	25/03/2006	14	18/07/2007

7	23/05/2006	15	03/09/2007
8	04/07/2006	18	24/09/2007

- The trustees supervisory role is discharged by reviewing the information and the operation of fund based on the reports submitted at the Trustee meeting. The Trustees also review the Internal Audit Report, Statutory Audit Report and the Annual Accounts of the Fund and review the reports sent to SEBI periodically by the AMC. There is a three member Audit Committee appointed by the Trustees and the quorum for the meeting will be two members. There is a three member Audit Committee of the AMC and the quorum for its meeting will be two members. The Chairman of the Committee is an Independent Director.
- Consider the reports of the independent auditor and compliance reports of AMC at the meetings of trustees for appropriate action.
- Maintain records of the decision of the trustees at their meetings and also the minutes of their meetings.
- Prescribe and adhere to a code of ethics by the trustees, AMC and its personnel.
- Communicate in writing to the AMC the deficiencies and checking the removal of deficiencies.
- Notwithstanding anything contained hereinabove the trustees shall not be held liable for acts done in good faith if they have exercised adequate due diligence honestly.
- The trustees shall pay specific attention to the following, as may be applicable, namely:
 - ✓ The investment management agreement and the compensation paid under the agreement.
 - ✓ Service contracts with affiliates, whether the AMC has charged higher fees than outside contractors for the same service.
 - ✓ Selection of the AMC's independent directors.
 - ✓ Securities transactions involving affiliates to the extent such transactions are permitted.
 - ✓ Selecting and nominating individuals to fill independent director's vacancies.
 - ✓ Code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions.
 - ✓ The reasonableness of the fees paid to the Sponsor, AMC and any other for services provided.
 - ✓ Principal underwriting contracts and their renewals.
 - ✓ Any service contract with the associates of the AMC.

(iii) Trustees - Fees And Expenses

In accordance with the Trust Deed constituting the Mutual Fund, the Trustees are entitled to receive, in addition to fee of Rs.10,000/- per meeting the reimbursement of all costs, charges and out of pocket expenses, a quarterly fee computed at a rate not exceeding 0.05% per annum of the daily average net assets of the Scheme or a sum of Rs. One lakh per annum whichever is higher. Such fee shall be paid to the Trustees within seven working days from the end of each quarter every year, namely, within 7 working days from June 30, September 30, December 31 and March 31 of each year. The Trustees may charge further fees as permitted from time to time under the Trust Deed and SEBI Regulations. In case Board of Trustees form a Trustee Company with the prior approval of the Board the Trustees/ Trustee Company will be eligible to be paid a sum of Rs.3,00,000/- per annum or as may be agreed by the Sponsor and Trustee company from time to time.

4. THE ASSET MANAGEMENT COMPANY

The Registered office of the AMC is situated at 97-98, 9th Floor, Atlanta, Nariman Point, Mumbai – 400021.

In terms of the Investment Management Agreement dated July 18, 1996 and as amended by the Supplementary deed dated 24th March 2004 the Trustees has appointed Sahara Asset Management Company Private Limited to manage the Mutual Fund. The present share holding pattern of the AMC is as mentioned below:

Name of the shareholder	Type of holdings	Holding
Sahara India Financial Corporation Limited	Equity	58.12
Sahara India Corp Investment Limited	Equity	20.94
Sahara India Investment Corporation Limited	Equity	20.94
Name of the shareholder	Type of holdings	Holding
Sahara India Commercial Corporation Ltd	Preference	90.32%
Sahara Care Ltd	Preference	9.68%

The AMC may be changed by a majority of the trustees or 75% of the Unit holders of the Fund opting for such change, subject to scrutiny and approval of SEBI. The AMC is managing Sahara India Tax Gain 1997 (now Sahara Tax Gain Fund), a close-ended, equity linked savings scheme (ELSS) launched on 30th December 1996, converted into Open-ended scheme on 7th November 2002. Sahara Income Fund, Sahara Liquid Fund & Sahara Gilt Fund launched on 06th February, 2002, Sahara Growth Fund launched on 22nd July, 2002, Sahara Mid Cap Fund launched on November 29, 2004 and Sahara Wealth Plus Fund launched on July 4, 2005. Sahara Infrastructure Fund launched on February 15, 2006, Sahara Fixed Maturity Plan 395 days launched on March 14, 2007 and Sahara Fixed Maturity Plan 3 months launched on August 24, 2007. As per the terms of the Investment Management Agreement, the AMC will conduct the operations of the Mutual Fund and manage assets of the Scheme, including this Scheme, launched from time to time.

The AMC may also undertake portfolio management services, management and advisory activities to domestic and offshore funds, pension funds, provident funds, venture capital funds, management of insurance funds, financial consultancy and exchange of research on commercial basis, if any of such activities are not in conflict with the activities of the Mutual Fund, with the prior approval of the Trustee and SEBI and such other activities as may be permitted under the SEBI Regulations from time to time and to do all acts, deeds, matters and things incidental thereto including opening of bank accounts abroad, entering into an agency agreement with any agency incorporated outside India or otherwise incidental thereto. The AMC has received the certificate of registration from SEBI to act as portfolio manager vide Registration no INP000001868 and PMS operations has been launched from December 27, 2006.

(i) Asset Management Fees

The AMC is entitled to Investment Management fees as permitted by SEBI Regulations which is presently as under: 1.25% p.a. of the weekly average net assets outstanding in each accounting year for the scheme concerned, for net assets upto Rs.100 crore and 1.00% p.a of the excess amount over Rs. 100 crore.

(ii) Board of Directors of the AMC

Name of the Director	Address	Present Status / Directorship
Mr. Subrata Roy Sahara Associate Of The Sponsor	Sahara Shahar, Vipul Khand, Gomati Nagar, Lucknow.	Sahara India Financial Corporation Limited. Sahara India Commercial Corporation Limited Sahara India Medical Institute Limited. Sahara India Tourism Development Corporation Limited

		<p>Sahara One Media And Entertainment Limited. Sahara Infrastructure & Housing Ltd Sahara India Life Insurance Company limited Sahara Net Corp Limited. Sahara India Power Corporation Limited. Sahara Hospitality Limited. Sahara Housingfina Corporation Limited. Sahara Care Limited Sain Processing & Weaving Mills (P) Limited. Sahara Welfare Foundation (Section 25 Company). ERIC City Homes Development Pvt. Ltd.</p>
Mr. Om Prakash Srivastava Associate Of The Sponsor	A-706, Sector C Mahanagar Lucknow.	<p>Sahara India Financial Corporation Limited Sahara India Investment Corporation Limited. Sahara India Commercial Corporation Limited. Sahara India Medical Institute Limited Sahara One Media And Entertainment Limited Sahara Infrastructure & Housing Ltd Sahara India Life Insurance Company limited. Sahara Net Corp Limited. Sahara India Power Corporation Limited Sahara Hospitality Limited. Sahara Housingfina Corporation Limited. Sahara Care Limited. Sain Processing & Weaving Mills (P) Limited. Sahara Welfare Foundation (Section 25 Company). ERIC City Homes Development Pvt. Ltd.</p>
Mr. Suresh Chukkapalli Independent Director	Plot No. 64A, Road No. 14 Film Nagar Jubilee Hills Hyderabad-500 033.	<p>Lanco Industries Limited Lanco Projects Limited A.P. Gems & Jewellery Park Pvt. Ltd. IOI (India) Projects Pvt. Ltd. L & T Phoenix InfoParks Pvt. Ltd. Phoenix Logistics Pvt. Ltd. Phoenix Infrastructure Pvt. Ltd. Hyderabad Gems SEZ Ltd.</p>
Mr Chandrakant Kamdar Independent Director	303, Mermaid C H S Ltd, Juhu Tara Road, Juhu, Mumbai-400049.	<p>Helios Research Private Limited OHM Portfolio Managers Private Ltd BMS Intermediaries Pvt Ltd</p>
Mr Ramesh M Joshi Independent Director	D-1303, Panchsheel Heights, Mahavir Nagar, Kandivali (East), Mumbai -69	INDBank Asset Management Pvt Ltd

(iii) Duties And Responsibilities Of The Asset Management Company

Under the SEBI Regulations and the Investment Management Agreement, the AMC has, inter-alia, the following duties and responsibilities:

- The AMC shall take all reasonable steps and exercise due diligence to ensure that the investment of money pertaining to any scheme is not contrary to the provisions of the SEBI Regulations and the Trust Deed.
- The AMC shall be responsible for the acts of commissions or omissions by its employees or the persons whose services have been procured by the AMC
- The AMC shall submit bi-monthly and quarterly reports on the functioning of the Scheme and the compliance with SEBI Regulations to the Trustee, or at such intervals as may be required by the Trustee or SEBI.
- The Trustees at the request of the AMC may terminate the assignment of the AMC at any time. Provided that such termination shall become effective only after the Trustees has accepted the termination of assignment and communicated its decision in writing to the AMC.
- The AMC shall not utilize the services of the Sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities. Provided that the AMC may utilize such services if disclosure to that effect is made to the Unit holders and the brokerage or commission paid is also disclosed in the half yearly and annual accounts of the Mutual Fund.
Provided further that the Mutual Fund shall disclose at the time of declaring half yearly and yearly results:
 - ✓ any underwriting obligations undertaken by the Scheme(s) of the Mutual Fund with respect to issue of securities of associate companies.
 - ✓ Devolvement, if any.
 - ✓ Subscription by the Scheme(s) in the issues lead managed by associate companies.
 - ✓ Subscription to any issue of equity or debt on private placement basis where the Sponsor or its associate companies have acted as arranger or manager.
- The AMC shall file with the Trustees the details of transactions in securities by the key personnel of the AMC in their own names or on behalf of the AMC, and shall report to SEBI, as and when required by SEBI.
- In case the AMC enters into any securities transactions with any of its associates a report to that effect shall be sent to the Trustees at its next meeting.
- In case any company has invested more than 5 per cent of the Net Asset Value of a Scheme or as may be prescribed under SEBI Regulations, the investment made by that Scheme or by any other Scheme in that company or its subsidiaries shall be brought to the notice of the Trustee by the AMC and be disclosed in the half yearly and annual accounts of the respective Scheme with justification for such investment. The said disclosure will be made provided the latter investment has been made within one year of the date of the former investment, calculated on either side.
- The AMC shall file with the Trustees and SEBI: -
 - ✓ Detailed bio-data of all its directors along with their interest in other companies within fifteen days of their appointment.

- ✓ any change in the interest of directors every six months. and
- ✓ a quarterly report to the Trustees giving details and adequate justification about the purchase and sale of the securities of the group companies of the Sponsor or the AMC as the case may be by the Mutual Fund during the said quarter.
- Each Director of the AMC shall file with the Trustees details of his transactions, if exceeding Rs. 1 lakh or dealings in securities of such value on a periodical basis as may be specified under the SEBI Regulations from time to time.
- The AMC shall not appoint any person as key personnel who has been found guilty of moral turpitude or convicted of any economic offence or involved in violation of securities laws.
- Notwithstanding anything contained in any contract or agreement or termination, the asset management company or its directors or other officers shall not be absolved of liability to the mutual fund for their acts of commission or omission, while holding such position or office.
- An asset management company shall not through any broker associated with the sponsor, purchase or sell securities, which is average of 5% or more of the aggregate purchases and sale of securities made by the mutual fund in all its schemes:
 Provided that for the purpose of this sub-regulation, aggregate purchase and sale of securities shall exclude sale and distribution of units issued by the mutual fund.
 Provided further that the aforesaid limit of 5% shall apply for a block of any three months.
- An asset management company shall not purchase or sell securities through any broker (other than broker mentioned above) which is average of 5% or more of the aggregate purchase and sale of securities made by the mutual fund in all its schemes, unless the asset management company has recorded in writing the justification for exceeding the limit of 5% and reports of all such investments are sent to the trustees on a quarterly basis.
 Provided that the aforesaid limit shall apply for a block of three months.
- A statement of holdings in securities of the directors of the AMC shall be filed with the Trustees with the dates of acquisition of such securities at the end of each financial year.
- The AMC shall appoint registrars and share transfer agents who are registered with SEBI. Provided if the work relating to the transfer of Units is processed in-house, the charges at competitive market rates may be debited to the Scheme and for rates higher than the competitive market rates, prior approval of the Trustee shall be obtained and reasons for charging higher rates shall be disclosed in the annual accounts.
- The AMC shall abide by the Code of Conduct as specified in the fifth schedule of the Regulations.
- The appointment of an asset management company can be terminated by majority of the trustees or by seventy-five percent of the unit holders of the scheme.
- To maintain proper books of account and records etc.:
 - ✓ Every asset management company for each Scheme shall keep and maintain proper books of account, records and documents, for each Scheme so as to explain its transactions and to disclose at any point of time the financial position of each Scheme and in particular give a true and fair view of the state of affairs of the fund and intimate to the Board the place where such books of account, records and documents are maintained.
 - ✓ Every asset management company shall maintain and preserve for a period of eight years its books of accounts, records and documents.
 - ✓ The asset management company shall follow the accounting policies and standards as specified in the Ninth Schedule so as to provide appropriate details of the scheme wise disposition of the

assets of the fund at the relevant accounting date and the performance during that period together with information regarding distribution or accumulation of income accruing to the Unit holder in a fair and true manner.

- Publication of annual report and summary thereof: -
 - ✓ The scheme wise annual report of a mutual fund or an abridged summary thereof shall be mailed to all Unit holders as soon as may be but not later than six months from the date of closure of the relevant accounts year.
 - ✓ The annual report and abridged summary thereof shall contain details as specified in the Eleventh Schedule and such other details as are necessary for the purpose of providing a true and fair view of the operations of the mutual fund:

Provided that the abridged scheme wise annual report mailed to Unit holders need not contain full portfolio disclosure but must contain details on group company investments such as the name of the company, the amount of investment made in each company of the group by each scheme and the aggregate investments made by all schemes in the group companies of the sponsor.

Provided further that full portfolio disclosure is not required if full accounts are published in newspapers.

As per the circular MFD/CIR/15/041/2002 dated 14th March 2001, the Mutual Fund is not required to publish the scheme wise annual report or abridged annual report in the newspapers. However the Mutual fund shall continue to send the annual report or abridged annual report to the unit holders. Further, all mutual funds are advised to display the scheme-wise annual reports on their web sites. These web sites should also be linked with AMFI web site.
 - ✓ The report if published in summary form shall carry a note that (for Unit holders of a scheme) the full annual report shall be available for inspection at the head office of the mutual fund and a copy thereof shall be made available to the Unit holder on payment of such nominal fees as may be specified by the mutual fund.
- Annual report to be forwarded to the Board: - Every mutual fund shall within six months from the date of closure of each financial year forward to the Board a copy of the annual report and other information including details of investments and deposits held by the mutual fund so that the entire scheme wise portfolio of the mutual funds is disclosed to the Board.
- Periodic and continual disclosures:
 - ✓ The mutual fund, the asset management company, the trustees, custodian, sponsor of the mutual fund shall make such disclosures or submit such documents as they may be called upon to do so by the Board.
 - ✓ Without prejudice to the generality of sub-regulation (1) the mutual fund shall furnish the following periodic reports to the Board, namely: -
 - (a) Copies of the duly audited annual statements of accounts including the balance sheet and the profit and loss account for the fund and in respect of each scheme, once a year:
 - (b) A copy of six-monthly unaudited accounts;
 - ✓ No sale of units of any scheme of a mutual fund shall be made by the trustees or an asset management company unless accompanied by documents, which contain information, which is adequate for the investors to take an informed decision.
- Half-yearly disclosures: - A mutual fund and asset management company shall before the expiry of one month from the close of each half year that is on 31st March and on 30th September, publish its unaudited financial results 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.

Provided that the half-yearly unaudited report referred to in this sub-regulation shall contain details as specified in the Twelfth Schedule and such other details as are necessary for the purpose of providing a true and fair view of the operations of the mutual fund.

As per Circular MFD/CIR No.10.310/01 dated 25th Sep 2002, The Mutual fund shall also post these results in the prescribed format on their web sites and also shall display these results on AMFI web site before the expiry of one month from the close of each half-year. Compliance of these requirements may be reported to SEBI while sending a copy of half yearly results in accordance with Regulation 58(2)(b).

- A mutual fund shall, before the expiry of one month from the close of each half-year send to all Unit holders a complete statement of its Scheme portfolio.

Provided that statement of Scheme portfolio may not be sent to the Unit holders, if the statement is published, by way of an advertisement, in one English daily 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 Mutual fund shall also disclose the portfolio on their websites in the prescribed format before the expiry of one month from the close of each half-year. A copy of the portfolio shall also be filed with SEBI at the time of submission of half-yearly results.

- **The AMC shall -**

- ✓ not act as a Trustee of any Mutual Fund.
- ✓ not undertake any other business activities except activities in the nature of portfolio management services, investment management and advisory services to domestic and offshore funds, pension funds, provident funds, venture capital funds, management of insurance funds, financial consultancy and exchange of research on commercial basis if any of such activities are not in conflict with the activities of the Mutual Fund without the prior approval of the Trustees and SEBI. Provided that the AMC may itself or through its subsidiaries undertake such activities if it satisfies SEBI that the key personnel of the AMC, the systems, back office, bank and securities accounts are segregated activity wise and there exist systems to prohibit access to inside information of various activities. Provided further that AMC shall meet capital adequacy requirements, if any, separately for each such activity and obtain separate approval, if necessary under the relevant Regulations.
- ✓ not invest in any of its Scheme unless full disclosure of its intention to invest has been made in the Offer Documents.
- ✓ Provided that the AMC shall not be entitled to charge any fees on its investment in that Scheme.
- ✓ not acquire any assets out of the Trust Fund, which involves the assumption of any liability which is unlimited or which may result in encumbrance of the Scheme property in any way.

(iv) Key Employees of the AMC

Mr. Naresh Kumar Garg (47 Years), Principal Officer and Chief Investment Officer is a qualified Chartered Financial Analyst (CFA), M.B.A (Finance), CAIIB (UTI), Chartered Engineer, M.I.E (Electrical Engineer) and has also completed Investment advice certificate I & II exams of the Securities Institute, London under FSA, U K Regulations. He has over 16 years of experience in the Mutual Fund Industry. He has worked in Key Functional Areas and contributed significantly in the management of Offshore Funds, Domestic Equity Fund and Debt Funds. He is a winner of the prestigious British “Chevening-Manchester Business School Scholarship 2002” for Senior Executives sponsored by the Foreign and Commonwealth office, U.K Government and Manchester Business School. He is the winner of the “Young Manager Competition” 1993(Western Region) conducted by All India Management Association.

Mr. A. N. Sridhar, aged 43 years is Fund Manager – Equity, He is a post graduate in Electronics and holds a Master In Financial Management from NMIMS, Mumbai. He has also passed the Certified Associate of the Indian Institute of Bankers (UTI Part II). He has over two decades of experience in Banking and Mutual Fund Industry. He served Central Bank of India from March 1985 to October 1989. He held various responsibilities including equity dealing at UTI Mutual Fund (erstwhile Unit Trust of India) from October 1989 till October 2003. From November 2003 to September 2004, he was a Consultant for Institutional dealing at Dalal & Broacha Stock Broking Pvt Ltd. He has extensive experience in the dealing of equities.

Mr. Puneet Srivastava, aged 37 years is Fund Manager – Debt. He is a Commerce graduate and has done his Masters in Business Administration in Finance. He has an overall work experience of 12 years in the field of finance. He has exposure to Debt – Dealing and Research with specialization on SLR products. Prior to joining Sahara Asset Management Company Private Limited, he was head of Debt and Commodities desk with a leading Debt intermediary.

Mr. Sudhir Kaup, aged 41, Compliance Officer. is a Commerce graduate and Certified Associate of Indian Institute of Bankers [(CAIIB - UTI)] with over 16 years of experience in the Operations & Compliance areas in the Mutual Fund Industry.

(v) FUND MANAGEMENT & INVESTMENT PROCESS

The team:

The Investment operations of the Sahara Mutual Fund scheme(s) are managed by Sahara Asset Management Company Private Limited, company's fund management team. The team comprises of Mr. Naresh Kumar Garg, Principal Officer and Chief Investment Officer and Mr. A.N. Sridhar, Fund Manager (Equity) and Mr. Puneet Srivastava, Fund Manager (Debt) and a group of research / investment personnel (excluding dealing personnel), possessing collectively with them a vast and varied knowledge base relating to financial markets and systems. The key personnel have experience in advising / managing funds in Indian financial markets.

Fund Manager for Sahara Power Fund: Mr. A.N. Sridhar

The Investment Committee: The committee will lay down the investment policy and philosophy, review performance with regard to the objectives of the schemes on a regular basis. It would lay down the broad framework for investment management by the fund manager while the day to day management of the fund would rest with the fund Manager. The investment committee reviews the portfolios periodically, assess the liquidity positions and make suggestions to the fund manager. The Investment Committee comprises of Mr. Naresh Kumar Garg, Principal Officer, Mr. A.N. Sridhar- Fund Manger (Equity) and Mr. Puneet Srivastava, Fund Manager (Debt).

The Investment Process:

The Fund Manager in accordance with the policies formulated by the Investment Committee handles the day-to-day investment management. The focus of the Fund Manager is to ensure that the objectives of each Fund are kept foremost whilst taking decisions regarding asset allocation and selection.

Careful attention is at all times paid to SEBI guidelines regarding restriction on investments / investment limits as prescribed from time to time. These restrictions relate to single company / group investments, investments in associate companies, investments in unrated debt instruments etc. Typically, wherever any investment in unrated paper is involved, prior approval of the Trustees and the Board of the AMC is sought.

There is a daily meeting of the Fund Management Team which discusses issues on the various information available. The research analysts give their inputs. These meetings help the fund manager in taking investment decisions.

The Fund Manager relies extensively on research provided by external agencies that are used to formulate a view on the likely trends and impact on the markets. This is supplemented by in-house research.

The hierarchical structure is typically vertical, with the Fund Manager reporting to the CIO, who in turn reports to the CEO/ Principal Officer.

The Board of Directors of the AMC and the Trustees are presented regular reports on the portfolio performance on a stand-alone basis as well as a comparison with relevant benchmarks and with peer group from the industry.

Based on a comprehensive review of credit, macro economic factors, external and internal inputs, the Investment Committee decide the portfolio balance to arrive at a suitable mix of risk and return. The key objective is to optimize returns vis-à-vis risk.

Depending on the needs, derivatives may be used with a view to minimizing risk and protecting the returns of the portfolio.

The buy/sell decisions would be recorded by the fund manager in the form of a Fund wise requisition slips keeping in mind the investment objectives, investment restrictions and the applicable guidelines. These sheets would contain details such as quantity of scrip/security, indicative price, reasons for buy/sell etc. The requisition slip would be sent to the Dealers for execution.

The risk manager/ mid office would review all buying and selling transactions to check that they are inline with the stated fund objectives, investment restrictions, stipulated guidelines and suggest corrective action to the fund manager wherever required. It would also check the portfolio risks periodically and suggests corrective action wherever required.

The Fund Manager shall review the portfolio on a daily basis, in conjunction with the expected cash flows in to and out of the various Funds and in line with the investment objectives and guidelines.

The complete portfolio statement elaborating classifications, limits and valuations would be placed for scrutiny before the Trustees and the Board of Directors of the AMC at their meetings, which would be typically at least bimonthly / once in a quarter.

5) CUSTODIAN

HDFC Bank Ltd.,

Kamala Mills Compound

Senapati Bapat Marg, Lower Parel

Mumbai 400 013

SEBI Registration No:IN/CUS/001

FUNCTIONS OF THE CUSTODIAN:

- Provide post-trading and custodial services to the Mutual Fund.
- Collect and receive any income and other payments and distribution made by the issuer of securities.
- Provide detailed management information and other reports as required by the AMC.
- Maintain confidentiality of the transactions.
- Be responsible for the loss or damage to the assets belonging to the Fund due to negligence on its part or on the part of its approved agents.
- Segregate assets of each Fund.

- The Custodian shall also not deal on its own account, in securities purchased or sold by the mutual fund without making adequate disclosure to SEBI and the trustees/AMC.
- The Custodian shall not assign, transfer or lend the property held by it on behalf of the Mutual Fund except with the prior written permission of the AMC.
- The Custodian will be entitled to remuneration for its services in accordance with the terms of the Custodian Agreement. The Trustees have the right to change the Custodian.

6) REGISTRAR & TRANSFER AGENT

KARVY Computershare Private Limited
SEBI Registration No.: INR000000221
21, Avenue 4, Street No1,
Banjara Hills, Hyderabad - 500034.

KARVY Computer Private Limited, a SEBI Registered Registrar and Transfer agent has been appointed as Registrar and Transfer Agent. Their Registration No.is INR 000000221. The Trustees and the AMC have satisfied themselves that the Registrar has adequate capacity to discharge responsibility with regard to processing of application and dispatching unit certificate to unit holders within the time limit prescribed in the Regulation and also has sufficient capacity to handle investor compliance.

7) COLLECTION CENTRES

Applications for the New Fund Offer will be accepted at the Collection centres / ISCs as may be designated by the AMC from time to time.

8) STATUTORY AUDITORS

Chaturvedi & Co
Chartered Accountants
81, Mittal Chambers,
Nariman Point
Mumbai- 400 021.

VII. INVESTMENT OBJECTIVES AND POLICIES

1) FUNDAMENTAL ATTRIBUTES OF THE SCHEME

(I) SAHARA POWER FUND

Type of the Scheme

An open ended sectoral growth scheme.

(II) Investment Objective

The investment objective is to generate long term capital appreciation through investment in equities and equity related securities of companies engaged in the business of generation, transmission, distribution of Power or in those companies that are engaged directly or indirectly in any activity associated in the power sector.

There can be no assurance that the investment objective of the scheme will be realized. The scheme does not assure any guaranteed returns.

Investment Pattern & Risk Profile.

The asset allocation under the scheme will be as follows:

**Proportion ^
(% of Funds available/
Net assets)**

Particulars	Minimum	Maximum	Risk Profile
# Equity and Equity related instruments of Power and related companies engaged directly or indirectly in the business of power and energy.	75%	100%	High
* \$ Debt and Money Market Instruments	0%	25%	Low to Medium

* Debt instruments may include rated securitized debts (excluding foreign securitized debts) upto 25% of the net assets.

\$ Preferably used when, opportunities of good investment in stocks are not available / for income distribution.

^ At the time of investment.

Investment in securitized debt may be made only if securitized instruments are either offering better yields than non–securitised instruments of the same risk profile or if securitized debt is offering similar yields but is having better risk profile than non–securitised instruments available at the same time in the market. The Fund Manager would keep in mind that investments in securitized debt would not increase the risk profile of the scheme.

The scheme may invest upto 10% of the net assets in foreign securities. Investment would be in line with SEBI/IMD/CIR No.7/73202/06 August 2, 2006, SEBI/IMD/CIR No.13/83589/07 dated January 4, 2007, SEBI/IMD/CIR No 9/3334/07 dated May 14, 2007, SEBI/IMD/CIR No 7/104753/07 dated Sept 26, 2007 or any other latest circular from SEBI, from time to time.

Maximum exposure to the derivatives shall not exceeding 50% of the Net assets of the scheme, subject to the limits as specified by SEBI, from time to time..

The fund will not be investing in foreign securitized debt / foreign debt securities.

“If permitted by SEBI under extant regulations / guidelines, the scheme may also engage in securities lending”. (In such a case Stock lending may be up to 50% of the net assets of the scheme. In addition, stock lending to any single party would not exceed 10% of the net assets of the scheme).

(Subscription cash flow is the subscription money in transit before deployment and redemption cash flow is the money kept aside for meeting redemptions). While it is intention of the scheme to maintain the exposure guidelines provided in the table above, there may be instances when these percentages may be exceeded. Typically this may occur while the scheme is new and the corpus is small thereby causing diversification issues.

The asset allocation pattern may be modified in the interest of the unit holders. However, the same will be reviewed by the trustee on a bimonthly/quarterly basis and will be rebalanced to its normal position in a time frame as permitted by the Trustee. The AMC will endeavor to achieve normal asset allocation pattern in a maximum period of 6 months (as applicable for Annual Plans and more).

The AMC, may also, consistent with SEBI guidelines, from time to time, pending investment in securities for a short term period on defensive consideration invest up to 100% of the funds in money market

instruments, the primary motive being to protect the Net Asset value of the Scheme and protect unit holders interest so also to earn reasonable return maintained for redemption/repurchase of units.

The asset allocation shown above is indicative and may be altered from time to time for a short term period on defensive considerations. Notwithstanding the forgoing, the Trustees may from time to time at its absolute discretion review and modify the investment strategy provided such modification is in accordance with the SEBI Regulations.

Terms of the Scheme

Liquidity:

(i) Listing:

Sahara Power Fund being an open ended scheme offers repurchase facility hence units are not proposed to be listed on any Stock Exchange. However the Mutual Fund at its sole discretion may list the units on one or more Stock Exchange at a later date.

(ii) Redemption of Units:

The Scheme provides investors with a high degree of liquidity. The Scheme will be open for repurchase not later than 30 days from the close of the New Fund Offer .The redemption cheques will be dispatched to the unit holders within 10 working days from the date of redemption or repurchase. However, the Fund will under normal circumstances, endeavor to dispatch redemption proceeds within T+3 business days from the date of redemption or repurchase.“ If the payment is not made within the period stipulated in the regulations, unit holder shall be paid interest @15% for the delayed period”.

(iii) Repurchase price:

Please refer to the section titled “ Applicable NAV” .The redemption will be at NAV based prices subject to an exit load, if any. Please also refer to section titled “Repurchase price” and “Load structure”.

(iv) Payment of repurchase proceeds:

Please also refer to section titled as “Right to limit repurchases” and “Suspension of Sales/repurchase/switching options of the Units”. As per the SEBI Regulations, the Mutual Fund shall dispatch repurchase proceeds within 10 working days from the date of redemption or repurchase. However, the Fund will under normal circumstances, endeavor to dispatch redemption proceeds within T + 3 business days from the date of redemption or repurchase.“ If the payment is not made within the period stipulated in the regulations, unit holder shall be paid interest @15% for the delayed period”.

Fees and Expenses

1. Initial Expenses:

1) Under the SEBI Regulations and SEBI Circular dated April 4, 2006 on **Rationalization of Initial Issue Expenses:** Open ended scheme should meet the sales, marketing and other such expenses connected with sales and distribution of schemes from the entry load and not through initial issue expenses.

2) The AMC may charge the Mutual Fund with investment and advisory fee as prescribed in the SEBI Regulations from time to time. Presently, the SEBI Regulations permit fees as follows:

- 1.25% of the weekly average net assets outstanding in each accounting year for the Scheme concerned as long as the net assets do not exceed Rs.100 crore, and
- 1% of the excess amount over Rs.100 crore, where net assets so calculated exceeds Rs.100 crore.

- 1% extra for NO load fund.

The recurring expenses of the respective Plans shall be as per limits prescribed under the SEBI Regulations. The total expenses of the respective Plans including the investment management and advisory fee shall not exceed the limit stated in Regulation 52(6).

(% per annum of average weekly net assets)

Particulars	Equity Schemes
First Rs. 100 crore	2.50
Next Rs. 300 crore	2.25
Next Rs. 300 crore	2.00
Balance Assets	1.75

Any expenditure in excess of the limits specified above, shall be borne by the AMC or by the Trustees or the Sponsor. Further, as and when permitted by SEBI, the AMC may charge a higher fee for that part of the Unit capital that is invested overseas. However revision in fee charged shall be within the SEBI Regulations at all times.

The scheme does not offer any assurance or guaranteed return

(ii) Investment Strategy & Risk Control

Policy on diversification: The Scheme will have reasonably diversified portfolio without the risk of being overly diversified. The fund house will aim not to have a very large portfolio which can lead to over diversification and reduction of investors' returns.

Investment Rationale

India has come a long way to qualify as not just a developing nation but also as an influencing economy of the world. There are no two opinions about the fact that for the economic growth to sustain, the entire power needs have to be met. In fact, in the Indian economic growth story, the power needs have now assumed significant importance especially with the government charted growth rate in excess of 8.5% over the next five years. Power includes all forms viz. electricity generated through thermal, hydro, wind, nuclear etc. Currently power availability is falling behind in matching up with growing demand. Apart from the industrial and commercial demand, there is residential demand as well; the per capita consumption of the energy and power signifies the living standard of economy's residents.

Power in the form of electrical energy or electricity constitutes an important element in energy spectrum. To ensure that this source of power to reach even in remote areas as also meet the growing industrial/commercial demand, the Indian government has undertaken an ambitious initiative under which it aims to provide "power for all by 2012". Accordingly, the Xth 5-year Plan (FY03-07) witnessed an increase of 23,250 MW (575 of the targeted) in capacity. Going forward, the XIth Plan (FY08-12) envisages a capacity addition of 66, 463 MW and the XIIth Plan (FY13-17) a capacity addition of 86,500 MW with a total capital investment of Rs. 10.3 trillion. Currently India has total installed capacity of 128, 582 MW of power from all sources and various agencies in the country. Government entities – both central and state have been the biggest contributors to the capacity build up over the last 10 years. Power generation, transmission and distribution are all critical links that need to be addressed to ensure that the above objectives are met.

As regards generation of power, the Ministry of Power and Government of India have launched an initiative for the development of coal-based UMMPs (Ultra Mega Power Plant) in India, each with a capacity of 4000 MW. The projects are being developed with a view to lower the cost of power to

consumers. These projects would adopt supercritical technology to reduce emissions and would be environment-friendly.

Another bottle neck, apart from generation, in the meeting the power demand would be the inter-regional transmission capacity and distribution. A good and reliable network is vital for power trading. Historically, the regional transmission facilities were installed to transmit power from central sector generation facilities to their respective beneficiary states. Inter regional links were developed to create a national grid for reliability and security. At 16,450 MW, the transmission capacity of the National Grid, which is only 12.8% of installed power capacity acts as a bottleneck for power trading. The introduction of open access and power trading would lead to a constraint on transmission capacity. Power Grid Corporation of India (PGCIL), India's central transmission utility, which transmits about one-third of the power generated in India, is the nodal agency for developing the National Grid. PGCIL plans to enhance capability to about 37,000 MW from the existing 16,450 MW over the next five years.

The government has traditionally focused more on the generation end of the value chain to alleviate the power shortage in the country. As a result Transmission and Distribution (T&D) segment remained neglected and attracted significantly lesser investments. The generation and T&D ratio in India has historically been 1.0:0.5 (whereas the ideal investment ratio is 1:1). In most states, the existing distribution network has been formed by expanding and interconnecting smaller and disjointed networks. Consequently, the T&D system in the country is saddled with deficiencies such as high losses (over 35%) and low reliability. The power ministry, in 2001 introduced the Accelerated Power Development and Reforms Program ("APDRP") to bring down T&D losses to 10% through various central, state and local level initiatives and to improve the performance of generating stations through renovation and modernization. The electricity act 2003 envisages entry of private players in the distribution segment.

Power reforms are driving investments worth Rs.3,56,400 crores in generation, Rs.60,000 crores in transmission and Rs.1,20,000 crores in distribution. Moreover, the government's rural electrification initiative would see further investments of Rs.20,000 crores over the next ten years. Overall, it is expected that Rs.55,160 crores would be invested across the power value chain over the next five years. To accomplish the power dream would involve both public and private players in a big way. The entities that will be part of power generation, transmission and distribution will have to rely in a big way on the power equipment manufacturing companies and companies involved in execution of EPC (Engineering, Procurement and Construction) projects for power utilities. Obviously the latter too would be the large gainers as they would clock steady growth in their revenues with the on-going investments in the power sector.

Investment Strategy: Debt

The scheme will endeavor to maintain a consistent performance while considering a balance between safety, liquidity and profitability aspects of various instruments and try to achieve an optimal risk return balance for management of debt and money market securities.

Investment decisions will be taken on the basis of the following parameters.

1. Prevailing interest rate scenario.
2. Liquidity of the security
3. Quality of the security / instrument
4. Maturity profile of the instrument.
5. Growth Prospects of the company / industry.

The scheme may aim to invest its assets in a portfolio of debt instruments comprising of securitized debt, non-convertible debentures, bonds, secured premium notes, zero interest bonds, pass-through

certificates, asset securities, mortgage backed securities and any other domestic income securities etc., and include, but is not restricted to:

- Debt obligations of Government of India, State and Local governments, government agencies and statutory bodies (which may or may not carry a State/Central government guarantee).
- Securities guaranteed by Government of India and state government.
- Securities issued by public/private corporate entities
- Securities issued by public/private sector banks, financial institutions

The scheme will endeavour to minimise interest rate risk. Fixed interest rate securities are subjected to volatility in price movements corresponding to movements in interest rates.

The Scheme will also invest in Money Market Instruments including, but not restricted to, commercial papers, commercial bills, treasury bills, government securities having an unexpired maturity upto one year, certificate of deposit, usance bills, permitted securities under a repo/reverse repo agreement, Asset Backed Securities, Pass Through Certificates, Mortgage Backed Securities etc. and any other such instruments as may be permitted by SEBI from time to time. These instruments may carry fixed rate of return or floating rate of return or may be issued on discount basis.

Investments will be made through secondary market purchases, initial public offers, other public offers, placements, rights offers (including renunciation) and negotiated deals and such securities may be listed, unlisted, privately placed, secured/unsecured, rated/unrated of any maturity. As mentioned else where in this Offer Document the AMC retains the flexibility to invest across in all the securities/instruments in debt and money markets.

The domestic debt markets are maturing rapidly with improvement in liquidity in various debt segments as a result of introduction of new instruments and investors. The development of derivatives markets particularly swaps and Forward Rate Agreements (FRA) have made the environment more dynamic and has provided opportunity to manage interest rate more actively.

The fixed income derivatives market has developed considerably during the last 3 years in India. The scheme may intend to use derivatives as permitted by SEBI for hedging interest rate risk, as permitted from time to time.

Investments made from the corpus of the Scheme would be in conformity with the features of the Scheme and the provisions of the SEBI Regulations. The AMC will endeavor to make a risk assessment of the potential investment in terms of credit risks, interest rate risks and liquidity risks. The credit risks analyses would involve an assessment of the past track record, present and future prospects for the company, the industry to which it belongs, the future cash flows from operations and its requirement for additional capital expenditure. Analysis of the interest rate scenario would be carried out on an ongoing basis, considering the impact of the developments on the macro economic front and the demand and supply of funds.

The AMC would, based on the above analysis, strive to manage the investments of the scheme on a dynamic basis with a view to exploit emerging opportunities. The AMC will also as an input in its decision making process, utilize ratings of recognized rating agencies. Investments in bonds and debenture will usually be made in instruments that have been assigned high investment grade ratings by a recognized rating agency. In case of an investment in an unrated debt instrument, prior approval of the Trustees and Board of Directors of the AMC would be obtained. The AMC will make efforts to reduce liquidity risk by investing in securities that would result in a staggered maturity profile of the portfolio, that provide easy liquidity and securities that have reasonable secondary market activity. In case of a requirement to liquidate all or a substantial part of these investments in a very short duration of time, the AMC may not be able to realize the full value of the securities leading to an adverse impact on the Net Asset Value of the

scheme. Please also refer to clauses on “Right to limit repurchases” and “Suspension of sale/repurchase/switching options of the Units” .

2) INVESTMENT POLICIES

Consistent with the investment objectives of the scheme, the AMC aims to identify securities, which offer superior levels of returns at lower levels of risk. The investment team of the AMC will carry out an internal credit analysis of all securities included in the investment universe.

Pursuant to the SEBI Regulations, the scheme shall not make any investment in –

- Any unlisted security of an associate or group company of the Sponsor; or
- Any security issued by way of private placement by an associate or group company of the Sponsor; or
- The listed securities of group companies of the Sponsor, which is in excess of 25% of the net assets.

The Scheme may invest in other debt Scheme(s) managed by the AMC or in the debt Scheme(s) of any other Mutual Funds, provided it is in conformity to the investment objectives of the scheme and in terms of the prevailing SEBI Regulations. As per the SEBI Regulations, no investment management fees will be charged for such investments and the aggregate inter-scheme investment made by all the Scheme(s) of Sahara Mutual Fund or in the Scheme(s) of other Mutual Funds shall not exceed 5% of the NAV of the Sahara Mutual Fund.

The scheme may also use various derivative and hedging products from time to time, as would be available and permitted by SEBI, in an attempt to protect the value of the portfolio and enhance Unit holder's interest. The scheme may also invest in suitable investment diversification, commensurate with the scheme objectives and subject to necessary stipulations by SEBI/RBI. Towards this, SAMCPL may also appoint overseas investment advisors and other service providers, as and when permissible under the Regulations.

Investment in Securitised Debt

It is frequently observed that securitized debt carrying similar credit and interest rate risk characteristics offer higher returns when compared to normal debt instruments. The Scheme may invest upto 25% of its net assets of the scheme in securitized debt to gain from the higher yields offered by these instruments. The decision to invest in securitized debt will be based on the Fund Manager's analysis of the comparative risk return profiles of the various instruments available in the market, including securitized debt.

TRADING IN DERIVATIVES

In terms of SEBI circular No.DNPD/Cir-29/2005 dated September 14, 2005, Mutual funds have been permitted to participate in the derivatives market at par with Foreign Institutional Investors (FII). Derivative instruments may take the form of Index Futures, Index Options, Stock Futures and Stock Option contracts or such other derivative instruments as may be available from time to time.

The scheme intends to use derivatives for purposes that may be permitted by SEBI Mutual Fund regulations from time to time.

Derivative transactions that can be undertaken by the scheme include a wide range of instruments, including, but not limited to

1. Futures
2. Options
3. Swaps
4. Any other instrument, as may be regulatory permitted

Derivatives can be either exchange traded or can be over the counter (OTC). Exchange traded derivatives are listed and traded on Stock Exchanges whereas OTC derivative transactions are generally structured between two counterparties.

SEBI has vide its circular DNP/D/Cir-29/2005 dated September 14, 2005 and SEBI/DNP/D/Cir-31/2006 dated September 22, 2006 inter alia specified the guidelines pertaining to trading by Mutual Funds in Exchange Traded derivatives.

All derivative position taken in the portfolio would be guided by the following principles.

i. Position limit for the Mutual Fund in index options contracts

a. The Mutual Fund position limit in all index options contracts on a particular underlying index shall be Rs. 500 crore or 15% of the total open interest of the market in index options, whichever is higher, per Stock Exchange.

b. This limit would be applicable on open positions in all options contracts on a particular underlying index.

ii. Position limit for the Mutual Fund in index futures contracts:

a. The Mutual Fund position limit in all index futures contracts on a particular underlying index shall be Rs. 500 crore or 15% of the total open interest of the market in index futures, whichever is higher, per Stock Exchange.

b. This limit would be applicable on open positions in all futures contracts on a particular underlying index.

iii. Additional position limit for hedging

In addition to the position limits at point (i) and (ii) above, the Mutual Fund may take exposure in equity index derivatives subject to the following limits:

1. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Fund's holding of stocks.

2. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Fund's holding of cash, government securities, T-Bills and similar instruments.

iv. Position limit for each scheme of a Mutual Fund for stock based derivative contracts

The Fund position limit in a derivative contract on a particular underlying stock, i.e. stock option contracts and stock futures contracts, stand modified in the following manner:-

a. For stocks having applicable market-wise position limit (MWPL) of Rs. 500 crores or more, the combined futures and options position limit shall be 20% of applicable MWPL or Rs. 300 crores, whichever is lower and within which stock futures position cannot exceed 10% of applicable MWPL or Rs. 150 crores, whichever is lower.

b. For stocks having applicable market-wise position limit (MWPL) less than Rs. 500 crores, the combined futures and options position limit would be 20% of applicable MWPL and futures position cannot exceed 20% of applicable MWPL or Rs. 50 crore which ever is lower.

v. Position limit for each scheme of a Mutual Fund

The scheme-wise position limit / disclosure requirements shall be –

1. For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of a scheme of a mutual fund shall not exceed the higher of:

1% of the free float market capitalisation (in terms of number of shares) or 5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts).

2. This position limits shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.

3. For index based contracts, Mutual Funds shall disclose the total open interest held by its scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

Illustrations

Index Futures

Index Futures have been introduced by BSE and NSE. Generally three futures of 1 month 2 months and 3 months are presently traded on these exchanges. These futures expire on the last working Thursday of the respective months.

If the Nifty (Index) was 1875 at the beginning of a month and the quotes for the three futures were as under:

Month	Bid price	Offer Price
1	1880	1885
	1900	1915
3	1910	1930

The Fund can buy an Index of month 1 on the last day of the month prior to month 1 in the illustration above at an offer price of 1885.

Numerical example of futures trade

The following is a hypothetical example of a typical likely index future trade and the associated costs.

Particulars	Index future	Actual Purchase of stocks
Index at the beginning of the month.	1875	1875
Price of 1Month Future.	1885	

A.Execution Cost: Carry and other Index Future costs (1885-1875)	10	Nil
B. Brokerage Cost: Assumed at 0.30% for Index Future and 0.50% for spot Stocks (0.30% of 1885) (0.50% of 1875)	5.66	9.38
C. Gains on Surplus Funds: (assumed 10% return on 90% of the money left after paying 10% margin)(10%*1875*90%*30 days/365)	13.87	Nil
Total Cost (A+B-C)	1.79	9.38

In this example, the Index Future trade has resulted in profitability compared to actual purchase of the underlying index stocks. The profitability of Index Future as compared to an individual security will interalia depend upon the carrying cost, the interest available on surplus funds and the transaction cost.

There are futures based on stock indices as mentioned above as also futures based on individual stocks.

Illustrative list of strategies that can employ futures

Strategies that employ index futures:

(a) The fund has an existing equity portion invested in a basket of stocks. In case the fund manager has a view that the equity markets are headed downwards, the fund can then hedge the exposure to equity either fully or partially by initiating short futures positions in the index. A similar position in the long direction can also be initiated by the fund to hedge its position of cash and permissible equivalents. The extent to which this can be done is determined by existing guidelines.

(b) To the extent permissible by extant regulations the scheme can initiate a naked short position in an underlying index future traded on a recognized stock exchange. In case the nifty near month future contract trading at say, 1850, and the fund manager has a view that it will depreciate going forward, the fund can initiate a sale transaction of nifty futures at 1850 without holding a portfolio of equity stocks or any other underlying long equity position. Once the price falls to 1800 after say, 20 days the fund can initiate a square-up transaction by buying the said futures and book a profit of 50. Correspondingly the fund can take a long position without an underlying cash/ cash equivalent subject to the extant regulations.

Strategies that employ Stock specific Futures:

Individual stock futures are also available in the Indian Equity Markets. Stock futures trade either at a premium or at discount to the spot prices; the level of premium generally reflects the cost of carry. Stock specific issues may have a bearing on futures as speculators may find futures as a cost-effective way of executing their view on the stock. However such executions usually increase the premium/discount to the spot significantly, thereby giving rise to arbitrage opportunities for a fund.

(a) Selling spot and buying future : In case the fund holds the stock of a company at say Rs. 1000 while in the futures market it trades at a discount to the spot price say at Rs. 980 then the fund may sell the stock and buy the futures. On the date of expiry of the stock future, the fund may reverse the transactions (i.e. buying at Spot & Selling futures) and earn a risk-free Rs. 20/- (2% absolute) on its holdings. As this can be without any dilution of the view of the fund on the underlying stock the fund can still benefit from any

movement of the price in the northward direction, i.e. if on the date of expiry of the futures, if the stock trades at 1100 which would be the price of the futures too, the fund will have a benefit of Rs. 100/- whereby the fund gets the 10% upside movement together with the 2% benefit on the arbitrage, and thus getting a total return of 12%

(b) Buying spot and selling future: Where the fund holds the stock of a company trading in the spot market at Rs 1000 while it trades at Rs. 1020/- in the futures market then fund may buy the stock at spot and sell in the futures market thereby earning Rs 20. In case of adequacy of cash with the fund, this strategy may be used to enhance returns of the Scheme which was otherwise sitting on cash.

(c) Buying stock future: Where the scheme wants to initiate a long position in a stock whose spot price is at say, Rs.1000 and futures is at 980, then the fund may just buy the futures contract instead of the spot thereby benefiting from a lower cost option.

(d) In case the fund has a bearish view on a stock which is trading in the spot market at Rs.1000/- and the futures market at say Rs.980/-. The fund can express such a view subject to extant SEBI regulations by initiating a short position in the futures contract. In case the view is right and the futures price depreciates to say 900/- the fund can square up the short position thereby earning a profit of Rs. 80/-

Options:

Option contracts are of two types - Call and Put; the former being the right, but not obligation, to purchase a prescribed number of shares at a specified price before or on a specific expiration date and the latter being the right, but not obligation, to sell a prescribed number of shares at a specified price before or on a specific expiration date. The price at which the shares are contracted to be purchased or sold is called the strike price. Options that can be exercised on or before the expiration date are called American Options, while those that can be exercised only on the expiration date are called European Options. Option contracts are designated by the type of option, name of the underlying, expiry month and the strike price.

Numerical examples of Options

Call Option (Buy): The fund buys a call option at the strike price of say Rs.1000 and pays a premium of say Rs. 50, the fund would earn profits if the market price of the stock at the time of expiry of the option is more than 1050 being the total of the strike price and the premium thereon. If on the date of expiry of the option the stock price is below Rs 1000, the fund will not exercise the option while it loses the premium of Rs 50.

Put Option (Buy): The fund buys a Put Option at Rs 1000 by paying a premium of say Rs 50. If the stock price goes down to Rs. 900, the fund would protect its downside and would only have to bear the premium of Rs 50 instead of a loss of Rs100 whereas if the stock price moves up to say Rs. 1100 the fund may let the Option expire and forego the premium thereby capturing Rs. 100 upside after bearing the premium of Rs 50.

Writing a Call Option: The fund writes a call option at Rs. 1050 and earn a premium of, say, Rs. 10. If the price is higher than Rs. 1050, say Rs.1100/- at expiry then the option is exercised, the Fund earns the premium of Rs. 10/- but loses the difference between the market price and the exercise price i.e. Rs. 50/-. In case the stock price is less than Rs.1050, the fund gets to keep the premium of Rs.10/-.

Writing a Put Option: The fund writes a put option with the strike price of Rs1000 and earns a premium of say Rs 20. In case the stock trades at Rs 950 the put option will be exercised, the fund will earn the premium of Rs.20/- but losses the difference between the exercise price and the market price which is Rs.50/-. Where the stock trades at above the exercise price, the option-holder will not exercise the option and let it expire. In this case the fund will earn the premium income of Rs.20.

The above four option positions can be initiated in both index based options as well as stock specific options.

Permissible strategies involving index options and stock specific options would be the same as that of index futures and stock specific futures respectively.

The AMC retains the right to enter into such derivative transactions as may be permitted by the regulations from time to time.

Debt Derivatives

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. The AMC would undertake the same for similar 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.

EXAMPLE OF A DERIVATIVES TRANSACTION

Basic Structure of a Swap

Bank A has a 6 month Rs 10 crore liability, currently being deployed in call. Bank B has an Rs 10 crore 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 preagreed rate (say 7%) and pay "call" on the NSE MIBOR ("the benchmark rate"). Bank A's paying at "call" on the benchmark rate will neutralise 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 neutralise his interest rate risk arising from his call borrowing.

The mechanism is as follows:

- Assume the swap is for Rs.10 crore from March 1, 2002 to September 1, 2002. A is a fixed rate receiver at 7% and B is a floating rate receiver at the overnight compounded rate.
- On March 1, 2002 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, 2002 they will calculate the following:

- A is entitled to receive interest on Rs.10 crore 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, 2002, 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 crore, without borrowing for 6 months fixed.

The AMC retains the right to enter into such derivative transactions as may be permitted by the applicable regulations from time to time. The above strategies are not exclusive. The Fund manager may employ any of the possible derivatives strategy within the guidelines applicable from time to time.

RISK FACTORS

- Credit Risk: This is the risk of default by the counter party. This is usually negligible, as there is no exchange of principal amounts in a derivative transaction.
- Market Risk: Market movements may adversely affect the pricing and settlement derivatives.
- 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.

The investment limits (as % to net assets/asset allocation of the scheme)for various asset categories within the scheme, are as follows:

Security	Maximum Exposure	Risk Profile
Treasury Bills	100%	Sovereign
Govt. of India Securities	100%	Sovereign
Reverse Repo	100%	Low
Corporate Debt	100%	Medium
Financial Institution / Bank Bonds	100%	Low to Medium
Commercial Paper	100%	Medium
Certificates of Deposit	100%	Medium
Public Sector Bonds	100%	Medium
Govt. Guarantee Bonds	100%	Medium
All Money Market Instruments	100%	Low
Rated Securitised Debt	25%	Low to Medium

The market participants in the corporate debt and gilt markets are banks, financial institutions, mutual funds, corporate, insurance companies, FII's and primary dealers. The main debt instruments in the market are those issued by Central/State Governments and corporate. Corporate Papers carry credit risk while government securities are believed to carry no credit risk. The main risks with investment in debt securities are interest rate risks, credit risk and liquidity risk. Interest rate risk associated with debt instruments depend on the macroeconomic environment. It includes both market price changes due to change in yields as well as coupon reinvestment risk. Corporate papers carry higher liquidity risk as compared to gilts due to the depth of the gilt market. We have observed higher volumes in corporate

paper too due to the entry of more players in the market. Liquidity has improved further due to dematerialization and entry of private insurance companies.

The following table attempts to give a board overview of the available instruments in the financial markets and their risk return profile. The data given in the table is based on market conditions around the date of Offer document and can at best be considered indicative:

Security	Yield *	Allocation	Risk Profile
Money Market Instruments	8.25% -- 8.80%	Up to 100%	Low
Corporate Bonds (1yr-3yr)	8.90% - 9.15%	Up to 80%	Medium
G-Sec (less than 5 years)	7.40% - 7.85%	Up to 50%	Sovereign
PTC (less than 1yr)	8.50% - 9.50%	Up to 50%	Medium
Financial Institution / Bank Bonds (5-10 Yr.)	9.25% - 9.75%	Up to 80%	Medium

*The actual yields will however vary in line with general levels of interest rates and debt/money market conditions prevailing from time to time at the time of investment.

The performance of the scheme would be compared with S & P CNX Nifty. In future when new benchmark indices are available close to the investment pattern / objective of the scheme, the same will be used on approval by Board of the AMC & Trustees.

Change in investment pattern

The asset allocation pattern as indicated above, subject to the SEBI Regulations, may change from time to time, in view of market conditions, market opportunities, applicable Regulations in force as well as political and economic factors. It must be clearly understood that the percentages of allocation as stated above are indicative and can vary depending upon the presumption of the investment manager, the intention being at all times to seek to protect the interest of the Unit holders. Such changes in the investment pattern will be for a short-term period and for defensive considerations only.

Changes in fundamental attributes

In accordance with Regulation 18 (15A) of SEBI Regulations, the trustees shall ensure that no change in the fundamental attributes of any Scheme(s) or the trust or fees and expenses payable or any other change which would modify the Scheme(s) and affects the interest of Unit holders, shall 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 newspaper in the language of the region where the head office of the mutual fund is situated.
- (ii) The Unit holders are given an option to exit at prevailing Net Asset Value without any exit load.

PORTFOLIO TURNOVER

Portfolio turnover in all the schemes will be a function of market opportunities. The economic environment changes on a continuous basis and exposes debt or equity portfolio to systematic as well as non-systematic risk. It is expected that there would be a number of subscriptions and repurchase on a daily basis. Consequently, it is difficult to estimate with any reasonable accuracy, the likely turnover in the portfolio. AMC will endeavour to optimise portfolio turnover to maximise gains and minimise risks keeping in mind the cost associated with it.

Pursuant to the Schedule IX read with Regulation 50 of the SEBI (Mutual Funds) Regulations, 1996 the cost of investments acquired or purchased shall include brokerage, stamp charges, and any charges customarily included in the brokers bought note.

INVESTMENT BY THE AMC IN THE SCHEME (S)

The AMC may invest in the Scheme(s) in the New Fund Offer period subject to the SEBI Regulations. As per the existing SEBI Regulations, the AMC will not charge Investment Management and Advisory fee on the investment made by it in the Scheme(s).

3) INVESTMENT RESTRICTIONS

Pursuant to SEBI Regulations, the following investment restrictions are applicable to the respective options:

1. A mutual fund 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 Asset Management Company.

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 debt which are rated not below investment grade by a credit rating agency registered with the Board.]

1A. A mutual fund 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 asset management company.}

2. No mutual fund under all its schemes should own more than ten per cent of any company's paid up capital carrying voting rights.

3. Transfers of investments from one scheme to another scheme in the same mutual fund shall be allowed only if, -

(a) such transfers are done at the prevailing market price for quoted instruments on spot basis.

[Explanation - "spot basis" shall have 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.

4. A scheme may invest in another scheme under the same asset management company 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 mutual fund.

["Provided that this clause shall not apply to any fund of funds scheme.]

5. Open ended scheme should meet the sales, marketing and other such expenses connected with sales and distribution of schemes from the entry load and not through initial issue expenses.

6. Every mutual fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relative securities and in all cases of sale, deliver the securities and shall in no case put itself in a position whereby it has to make short sale or carry forward transaction or engage in badla finance.

[Provided that mutual funds shall enter into derivatives transactions in a recognised stock exchange in accordance with the regulations/guidelines issued by the Board]

7. Every mutual fund shall, get the securities purchased or transferred in the name of the mutual fund on account of the concerned scheme, wherever investments are intended to be of long term nature.

8. 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.

9. No mutual fund [scheme] shall 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 [***]}

9A. No scheme of a mutual fund shall make any investment in any fund of fund scheme.]

10. A fund of funds scheme shall be subject to the following investment restrictions:

a. A fund of funds scheme shall not invest in any other fund of funds scheme; b. A fund of funds scheme shall not invest its assets other than in schemes of mutual funds, except to the extent of funds required for meeting the liquidity requirements for the purpose of repurchases or redemptions, as disclosed in the offer document of fund of funds scheme.

10. No mutual fund scheme shall invest more than 10 per cent of its NAV in the equity shares or equity related instruments of any company. Provided that, the limit of 10 per cent shall not be applicable for investments [in case of] index fund or sector or industry specific scheme.

11. A mutual fund scheme shall not invest more than 5% of its NAV in the unlisted equity shares or equity related instruments in case of open ended scheme.

- 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.

The AMC may alter these above stated restrictions from time to time to the extent the SEBI Regulations change, so as to permit the respective Scheme to make its investments in the full spectrum of permitted investments for Mutual Funds to achieve its investment objective. The Trustee may from time to time alter these restrictions in conformity with the SEBI Regulations.

All investment restrictions shall be applicable at the time of making investment.

4) 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 NAV shall be calculated in accordance with the following formula of such other formula as may be prescribed by SEBI from time to time.

Valuation of Assets:

The Fund shall value its investments according to the broad valuation norms, as specified in Schedule VIII of the Regulations, or such norms as may be prescribed by SEBI from time to time.

Pursuant to Regulation 47 of the SEBI (Mutual Funds) Regulations, 1996, the following investment valuation norms are applicable to the Scheme:

1. Traded Securities:

When a security (other than debt 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, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to valuation date.

When a debt security (other than Government Securities) is not traded on any stock exchange on any particular valuation day, the value at which it was traded on the principal 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 fifteen days prior to 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 fifteen days beginning from the date of purchase.

- i. The securities shall be valued at the last quoted closing price on the stock exchange.
- ii. When the securities are traded on more than one recognized stock exchange, the securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded. It would be left to the AMC to select the appropriate stock exchange, but the reasons for the selection should be recorded in writing. There should however be no objection for all scrip's being valued at the prices quoted on the stock exchange where a majority in value of the investments is principally traded such as NSE or BSE.
- iii. Once a stock exchange has been selected for valuation of a particular security, reasons for change of the exchange shall be recorded in writing by the AMC.
- iv. When on a particular valuation day, a security has not been traded on the selected stock exchange; the value at which it is traded on another stock exchange may be used.
- v. When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to the valuation date.

2. Thinly Traded Securities:

(I) Thinly Traded Equity/Equity Related Securities:

When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs.5 lacs and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security and valued accordingly.

Where a stock exchange identifies the "thinly traded" securities by applying the above parameters for the preceding calendar month and publishes/provides the required information along with the daily quotations, the same can be used by the mutual funds.

If the share is not listed on the stock exchanges which provide such information, then it will be obligatory on the part of the mutual fund to make its own analysis in line with the above criteria to check whether such securities are thinly traded which would then be valued accordingly.

In case trading in an equity security is suspended up to 30 days, then the last traded price would be considered for valuation of that security. If an equity security is suspended for more than 30 days, then the Asset Management Company/Trustees will decide the valuation norms to be followed and such norms would be documented and recorded.

(ii) Thinly Traded Debt Securities:

A debt security (other than Government Securities) shall be considered as a thinly traded security 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.

3. Non Traded Securities:

When a security (other than Government Securities) is not traded on any stock exchange for a period of thirty days prior to the valuation date (instead of the existing provision of 60 days), the scrip must be treated as a 'non traded' security.

A. When a security is not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as 'non-traded' scrip.

B. Non-traded securities shall be valued 'in-good faith' by the AMC on the basis of appropriate valuation methods based on the principles approved by the Board of the Asset Management Company. Such decision of the Board must be documented in the Board minutes and the supporting data in respect of each security so valued must be preserved. The methods used to arrive at values 'in-good faith' shall be periodically reviewed by the Trustees and reported upon by the Auditors as "fair and reasonable" in their report on the annual accounts of the Fund. For the purpose of valuation of non-traded securities, the following principles should be adopted:-

(1) Equity instruments shall generally be valued on the basis of capitalization of earnings solely or in combination with the net asset value, using for the purpose of capitalization, the price or earnings ratios of comparable tradable securities with an appropriate discount for lower liquidity.

(2) Debt instruments shall generally be valued on yield on maturity basis, the capitalization factor being determined for comparable traded securities with an appropriate discount for lower liquidity.

VALUATION OF NON-TRADED / THINLY TRADED SECURITIES

Non traded/ thinly traded securities shall be valued "in good faith" by the asset management company on the basis of the valuation principles laid down below:

(i) Non-traded / thinly traded equity securities:

- (a) Based on the latest available Balance Sheet, net worth shall be calculated as follows:
- (b) Net Worth per share = [share capital+ reserves (excluding revaluation reserves) – Miscellaneous expenditure and Debit Balance in P&L A/c] Divided by No. of Paid up Shares.
- (c) Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.
- (d) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10% for ill-liquidity so as to arrive at the fair value per share.

- (e) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
- (f) In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.
- (g) In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued by a procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs would be compared on the date of valuation.

(ii)(a) Non Traded /Thinly Traded Debt Securities of Up too 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 up to 182 days, in the absence of any other standard benchmarks in the market. Debt securities purchased with residual maturity of up to 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 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) hereof.

(ii)(b) Non Traded/ Thinly Traded Debt Securities of Over 182 Days to Maturity.

For the purpose of valuation, all 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 not traded, shall be valued on yield to maturity basis as described below.
- All Non Government non investment grade performing debt securities would 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.

The approach in valuation of non traded debt securities is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the non traded security.

The Yields for pricing the non traded debt security would be arrived at using the process as defined below.

Step A

A Risk Free Benchmark Yield is built using the government securities (GOI Sec) as the base. GOI Secs are used as the benchmarks as they are traded regularly; free of credit risk; and traded across different maturity spectrums every week.

Step B

A Matrix of spreads (based on the credit risk) is built for marking up the benchmark yields. The matrix is built based on traded corporate paper on the wholesale debt segment of an appropriate

stock exchange and the primary market issuances. The matrix is restricted only to investment grade corporate paper.

Step C

The yields as calculated above are Marked-up/Marked-down for ill-liquidity risk

Step D

The Yields so arrived are used to price the portfolio

METHODOLOGY

A. Construction of Risk Free Benchmark

Using Government of India dated securities; the Benchmark shall be constructed as below:

1. GOI dated securities will be grouped into various duration buckets such as 0.5-1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years, 5-6 years & 6 years and the volume weighted yield would be computed for each bucket. These duration buckets may be changed to reflect the market value more closely by any agency suggested by AMFI giving benchmark yield/matrix of spread over benchmarks yield.

The benchmark as calculated above will be set at least weekly, and in the event of any significant movement in prices of Government Securities on account of any event impacting interest rates on any day such as a change in the Reserve Bank of India (RBI) policies, the benchmark will be reset to reflect any change in the market conditions.

Note: The concept of duration over tenor has been chosen in order to capture the reinvestment risk. It is intended to gradually move towards a methodology that incorporates the continuous curve approach for valuation of such securities. However, in view of the current lack of liquidity in the corporate bond markets, a continuous curve approach to valuation would be necessarily based on limited data points, and this would result in out of line valuations. As an interim methodology therefore it is proposed that the Duration Bucket approach be adopted and continuously tracked in order to fine tune the duration buckets on a periodic basis. Over the next few years it is expected that with the deepening of the secondary market trading, it would be possible to make a gradual move from the Duration Bucket approach towards a continuous curve approach.

B. Building a Matrix of Spreads for Marking-up the Benchmark Yield

Mark up for credit risk over the risk free benchmark YTM as calculated in step A, will be determined using the trades of corporate debentures/bonds of different ratings. All trades on appropriate stock exchange during the fortnight prior to the benchmark date will be used in building the corporate YTM and spread matrices. Initially these matrices will be built only for corporate securities of investment grade. The matrices are dynamic and the spreads will be computed every week. The matrix will be built for all duration buckets for which the benchmark GOI matrix is built to effectively link the corporate matrix with the GOI securities matrix. Accordingly:

- All traded paper (with minimum traded value of Rs. 1 crore) will be classified by their ratings and grouped into 7 duration buckets; for rated securities, the most conservative publicly available rating will be used;

- For each rating category, average volume weighted yield will be obtained both from trades on the appropriate stock exchange and from the primary market issuances
- Where there are no secondary trades on the appropriate stock exchange in a particular rating category and no primary market issuances during the fortnight under consideration, then trades on appropriate stock exchange during the 30 day period prior to the benchmark date will be considered for computing the average YTM for such rating category;
- If the matrix cannot be populated using any or all of the above steps, then credit spreads from trades on appropriate stock exchange of the relevant rating category over the AAA trades will be used to populate the matrix;
- In each rating category, all outliers will be removed for smoothening the YTM matrix;
- Spreads will be obtained by deducting the YTM in each duration category from the respective YTM of the GOI securities;
- In the event of lack of trades in the secondary market and the primary market the gaps in the matrix would be filled by extrapolation. If the spreads cannot be extrapolated for the reason of practicality, the gaps in the matrix will be filled by carrying the spreads from the last matrix.

C. Mark-up/Mark-down Yield

The Yields calculated would be marked-up/marked –down to account for the ill-liquidity risk, promoter background, finance company risk and the issuer class risk. As the level of ill-liquidity risk would be higher for non rated securities the marking process for rated and non rated securities would be differentiated as follows:

Adjustments for securities rated by External Rating Agencies

The yields so derived out of the above methodology could be adjusted to account for risk mentioned above by an appropriate discount or premium as may be required. The range of the markups for both discount as well as premium is given below:

Premium

A discretionary premium of up to – 50 Basis points for securities having duration of up to 2 years and up to –25 Basis points for securities having duration of higher than 2 years will be permitted to be provided for the above-mentioned types of risk. The rationale for the above discount structure is to take cognizance of the differential interest rate risk of the securities. This structure will be reviewed periodically.

Discount

SEBI vide circular dated 20th February, 2002 has revised the discretionary discount limits as below:

Category	Discretionary discount over benchmark yield in basis points
Rated Instruments with duration up to 2 years	Discretionary discount of up to +100
Rated Instruments with duration over 2 Years	Discretionary discount of up to +75

Adjustments for Internally rated securities

To value an unrated security, the fund manager has to assign an internal credit rating, which will be used for valuation. Since unrated instruments tend to be more illiquid than rated securities, the yields would be mandatorily marked up by adding +50 basis point for securities having duration of up to two years and +25 basis point for securities having duration of higher than two years to account for illiquidity risk.

The yields derived from the above methodology could be adjusted to account for risk mentioned above. SEBI vide circular dated February 20, 2002 has revised discount limit as below:

Category	Discretionary discount over benchmark yield in basis points
Un Rated Instruments with duration up to 2 years	Discretionary discount of up to +50 over and above the mandatory discount of +50
Un Rated Instruments with duration over 2 Years	Discretionary discount of up to +50 over and above the mandatory discount of +25.

Application of benchmark yield for valuation on the date of its release by any agency suggested by AMFI:

The benchmark yield/matrix of spreads over benchmark yield obtained from any agency suggested by AMFI as a provider of benchmark yield/matrix of spread over benchmark yield to mutual funds, must be applied for valuation of securities on the day on which the benchmark yield / matrix of spreads over benchmark yield is released by the aforesaid agency.

(3) Money Market Securities

While Investments in bills purchased under rediscounting scheme 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 instruments, that is, instruments not traded for a period of 7 days will be valued at cost plus accrued till the beginning of the day plus the difference between the redemption value and cost spread uniformly over the remaining maturity period of the instruments.

(4) Valuation of "Repo"

Where instruments have been brought on "repo" basis the instruments must be valued at the resale price after deduction of applicable interest up to date of resale. When instruments have been sold on a "repo" basis, adjustment must be made for the difference between repurchase price (after deduction of applicable interest up to date of repurchase) and the value of the instrument. If repurchase price exceeds the value, depreciation must be provided for and if the repurchase price is lower than the value, credit must be taken for the appreciation.

(5) Valuation of Government Securities

Government Securities (shall be valued at yield to maturity based on the prevailing market rate) will be valued at cost plus accrual and amortizing the discount or premium over the life of the security.

For valuation of Government securities, all the mutual funds are advised to use the prices of Government securities released by an agency suggested by AMFI for the sake of uniformity in calculation of NAVs.

(6) In respect of convertible debentures and bonds, the non convertible components shall be valued separately. The non-convertible component shall be valued on the same basis as would be applicable to a debt instrument. The convertible component should 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 the latter can

be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding the conversion. While valuing such instruments, the fact whether the conversion is optional should also be factored in;

(7) in respect of warrants to subscribe for shares attached to instruments, the warrants can 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 (as referred to in sub-paragraph (6) above) must be deducted to account for the period which must elapse before the warrant can be exercised.

C. Until they are traded, the value of the 'rights' shares would be calculated as:

$$V_r = \frac{n}{m} \times (P_{ex} - P_{of})$$

Where, V_r = Value of rights

n = No. of rights offered

m = No. of original shares held

P_{ex} = Ex-rights price

P_{of} = Rights offer Price

Where the rights are not treated pari-passu with the existing shares, suitable adjustments would be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights can be valued at the renunciation value.

4. All expenses and incomes accrued up to the valuation date shall be considered for computation of net asset value. For this purpose, while major expenses like management fees and other periodic expenses should be accrued on a day to day basis, other minor expenses and income need not be so accrued, provided the non-accrual does not affect the NAV calculations more than 1%.
5. Any changes in securities and in the number of units are 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 Net Asset Value disclosure, the recording may be delayed up to a period of seven days following the date of the transaction, provided that as a result of the non recording, the Net Asset Value calculations shall not be affected more than 1%.
6. 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 allotted units at a price higher than Net Asset value or 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 charged lower than Net Asset Value at the time of purchase of their units or 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 shall recover the difference from the Investors.
7. Thinly Traded securities as defined in the guidelines shall be valued in the manner specified in the guidelines issued by the Board.
8. The aggregate value of illiquid securities as defined in the guidelines shall not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be valued in the manner as specified in the guidelines issued by the Board.

9. SEBI has issued a circular no. MFD/CIR/8/92/2000 dated September 18, 2002 as amended by a subsequent circular no. MFD/CIR/14/088/2001 dated March 28, 2001 ("Guidelines" giving the guidelines for valuation of securities and for identification and provisioning for NPAs. The Mutual fund shall value its securities accordingly.

VALUATION OF SECURITIES WITH PUT/CALL OPTIONS

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 put dates and valuing to the maturity date is to be taken as the value of the instruments.

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.

VALUATION OF UNLISTED EQUITY SHARES

Unlisted equity shares of a company shall be valued "in good faith" on the basis of the valuation principles laid down below:

a. Based on the latest available audited balance sheet, net worth shall be calculated as lower of (i) and (ii) below:

- i. Net worth per share = [share capital plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares.
- ii. After taking into account the outstanding warrants and options, Net worth per share shall again be calculated and shall be = [share capital plus consideration on exercise of Option/Warrants received/receivable by the Company plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by {Number of Paid up Shares plus Number of Shares that would be obtained on conversion/exercise of Outstanding Warrants and Options}

The lower of (i) and (ii) above shall be used for calculation of net worth per share and for further calculation in (c) below.

b. Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as

capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.

- c. The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.

The above methodology for valuation shall be subject to the following conditions:

- i. All calculations as aforesaid shall be based on audited accounts.
- ii. In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.
- iii. If the net worth of the company is negative, the share would be marked down to zero.
- iv. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
- v. In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued in accordance with the procedure as mentioned above on the date of valuation.

At the discretion of the AMC and with the approval of the trustees, an unlisted equity share may be valued at a price lower than the value derived using the aforesaid methodology.

Illiquid Securities :

(a) 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 recognised as illiquid securities.

(b) Mutual Funds shall not be allowed to transfer illiquid securities among their schemes w.e.f. October 1, 2000.

Valuation in respect of Non Performing Assets

Valuation in respect of Non Performing Assets (Debt Securities) will be done in accordance with "SEBI guidelines for identification and provisioning for NPAs" issued vide circular dated 18th September, 2000 bearing reference no.MFD/CIR/8/92/2000 as modified by SEBI circulars both dated 28th March, 2001 bearing reference no. MFD/CIR/13/087/2001 as well as MFD/CIR/14/088/2001 and will form a part of this valuation policy.

Valuation of Derivative Products:

The traded derivatives shall be valued at market price in conformity with the stipulations of sub clauses (i) to (v) of clause 1 of the Eighth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended by SEBI circular MFD/ CIR/8/92/ 2000 dated September 18, 2000.

The valuation of untraded derivatives shall be done in accordance with the valuation method for untraded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended by SEBI circular MFD/ CIR/8/92/2000 dated September 18, 2000.

Accrual of Expenses & Income

All expenses and incomes accrued up to the valuation date shall be considered for computation 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 need not be so accrued, provided the non accrual does not affect the NAV calculations by more than 1%.

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 seven 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%.

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

Calculation of NAV

NAV of units under the Scheme may be calculated by either of the following methods shown below:

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

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.

NAV upto 4 decimal places and the repurchase prices of the units will be calculated on all business days and published in terms of SEBI regulations.

Note: Computation of NAV will be done after taking into account dividends paid, if any and the distribution tax thereon, if required. Therefore once dividends are declared under the Dividend option of the scheme, the NAV of the units under the Dividend Option would remain lower than the NAV of the units issued under the Growth Option. The income earned and the profits realized in respect of the units issued under the Growth Option of the scheme remain invested and reflected in the NAV of the units.

5) ACCOUNTING POLICIES & STANDARDS

In accordance with Regulation 50 read with the Ninth Schedule to the SEBI Regulations, the respective options shall follow the accounting policies and standards stated below:

- All investments will be marked to market and will be carried in the balance sheet at market value. However, since the unrealized gain arising out of appreciation on investments cannot be distributed, provision will be made for exclusion of this item when arriving at distributable income.
- In respect of all interest-bearing investments, income will 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.
- Dividend income earned by a Scheme should be recognized not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments, which are not quoted on the Stock Exchange, dividend income must be recognized on the date of declaration.

- Transactions for purchase or sale of investments would be recognized as of the trade date and not as of the settlement date, so that the effect of all Investments traded during a financial year are recorded and reflected in the financial statements for that year. When investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction would be recorded, in the event of a purchase, as of the date on which the 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.
- Where the 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. In so far as provision for the principal amount is concerned, the same shall be provided as specified in the aforesaid guidelines.
- The cost of investments acquired or purchased would include, 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.
- Underwriting commission shall be recognized as revenue only when there is no devolvement on the Scheme. Where there is devolvement on the Scheme, the full underwriting commission received and not merely the portion applicable to the devolvement shall be reduced from the cost of the investment.

The accounting policies and standards as mentioned above are in accordance with the Ninth Schedule of SEBI Regulations and are subject to change as per any changes in the SEBI Regulations. All other policies and standards as specified therein, as well as any additions / modifications thereto as may be specified by SEBI from time to time shall be adhered to while preparing the books of accounts and financial statements of the Mutual Fund.

UNCLAIMED REDEMPTION / DIVIDEND AMOUNT

The unclaimed redemption amount and dividend amounts may be deployed by the Mutual Fund in call money market or money market instruments only and the investors who claim these amounts during a period of three years from the due date shall be paid at the prevailing Net Asset Value. After a period of three years, this amount will be transferred to a pool account and the investors can claim the amount at NAV prevailing at the end of the third year. The Income earned on such funds will be used for the purpose of investor education. The AMC will make continuous effort to remind the investors through letters to take their unclaimed amounts. Further, the investments management fee charged by the AMC for managing unclaimed amount shall not exceed 50 basis points.

VIII. UNITS AND THE NEW FUND OFFER

1. NEW FUND OFFER.

(i) New Fund Offer Price

During the New Fund Offer Period, units are offered at Rs.10/- per unit, for cash plus the applicable entry load.

(ii) New Fund Offer Period

The New Fund Offer period of the scheme will commence from _____ and will close on ____.

The AMC reserves the right to extend the closing date but not later than 30 days from the date of the New Fund Offer period. The AMC also reserves the right to not launch / defer the launch of the scheme.

(iii) Continuous Offer.

The Scheme will offer units for purchase and redemptions at NAV based prices on all business days on an ongoing basis commencing not later than 30 days from the close of New Fund Offer Period

(iv) Minimum Subscription Amount for investment

- 1) Dividend Option: Rs.5,000/- and in multiples of Re.1/- thereafter.
- 2) Growth Option: Rs.5,000/- and in multiples of Re.1/- thereafter.

In case the Option/sub option is not indicated by the investor at the time of investment, the default option would be Dividend Reinvestment option.

(v) Minimum Targeted Amount

The minimum targeted amount is Rs.1 lakh under the fund and there is no maximum amount in respect of the size of the scheme and therefore, subject to the applications being in accordance with the terms of this offer, full and firm allotment will be made to the unit holders. In accordance with SEBI Regulations, if the scheme fails to collect the minimum subscription amount of Rs.1 lakh, the fund shall be liable to refund the money to the applicants. In addition to the above, refund of subscription amount to applicants, whose applications are invalid for any reason whatsoever, will commence after the allotment process is completed.

(vi) Allotment and Refund

Allotment of units in the scheme would be at the discretion of the Board of Trustees. All applicants whose cheques towards purchase of units have been realized will receive a full and firm allotment of units, provided also the applications are complete in all respects and are found to be in order. The Trustees retains the sole and absolute discretion to reject any application. The process of allotment of units and mailing of account statement will be completed within 30 days from the date of closure of new fund offer period.

No Interest will be payable on any subscription money refunded within 30 days from the closure of the New Fund Offer Period. Interest on subscription amount will be payable for amounts refunded later than 30 days from the closure of the New Fund Offer Period @ 15% per annum for the period in excess of 30 Days and will be charged to the AMC. Refund orders will be marked "A/c. Payee only" and will be in favour of and be dispatched to the sole / first Applicant, by registered post – acknowledgment due.

Allotment of Units and dispatch of Account Statement to NRIs and FIIs will be subject to RBI's approval, if any, required. An application made may be accepted or rejected in the sole and absolute discretion of the Trustees. The Trustees may reject any application for purchase of units, if in the opinion of the Trustees, increasing the size of any or all the scheme's unit capital is not in the general interest of the unit holders, or the trustees for any other reason believe it would be in the best interest of the scheme or its unit holders to accept / reject such an application. Provided always that the trustee's rights will be subject to applicable SEBI regulations, if any.

2. OPTIONS UNDER THE SCHEME

(i) Dividend Option.

Under this option, it is proposed to declare dividends, subject to availability of distributable profits, as computed in accordance with SEBI Regulations. Dividends, if declared, will be paid out to those unit holders whose name appears in the Register of unit holders on the notified Record date. However, it must

be distinctly understood that the actual declaration of dividend and the frequency thereof will, inter-alia, depends on the availability of distributable profits as computed in accordance with SEBI Regulations. The decision of the Trustees in this regard shall be final. Investors opting for this option should tick the appropriate box in the application form. There is no assurance or guarantee to the Unit holder as to the rate of dividend distributed or that dividend will be paid regularly. Dividends below Rs.500/- would be compulsorily reinvested.

(ii) Growth Option

Under this Option, income earned on the respective Scheme(s) corpus will remain invested in the respective scheme and will be reflected in the Net Asset Value (NAV). Hence, Unit holders under this plan will not receive any dividend. This plan is therefore, suitable for investors looking for capital appreciation of their investment.

Investors should indicate the option for which the subscription is made by indicating the choice in the appropriate box provided for this purpose in the application form. Investors may also opt to invest in both the options of the Scheme(s) subject to minimum subscriptional requirements under each option.

(iii) Switch option

Applications received on any day after the business hours on repurchase day will be processed on the next repurchase day.

Unit holders under the Scheme have the option to Switch-out partly or all of their Unit holdings in the respective options to another Scheme(s) established by the Mutual Fund which is available for investment at that time. This Option will be useful to Unit holders who wish to alter the allocation of their investment among the scheme(s) / plan(s) of the Mutual Fund in order to meet their changed investment needs or risk profile.

The Switch-out will be effected by a way of Redemption of Units from the plan/fund and a reinvestment of the Redemption proceeds in the other Scheme/Plan and accordingly, to be effective, the switch must comply with the Redemption rules of the scheme and the issue rules of the other scheme (for e.g. as to the minimum number of units that may be redeemed or issued, Exit/Entry Load etc)

The price at which the Units will be switched out of the respective options will be based on the Repurchase Price and the proceeds will be invested in the other scheme / plan at the prevailing sale price for Units in that scheme/plan.

To effect a switch a Unit holder must provide clear instructions. A request for a switch may be specified either in terms of amount or in terms of the number of Units of the scheme from which the switch is sought. Such instructions may be provided in writing and lodging the same, either in person or by mail, on any business day, at any of the ISCs or the office of the AMC.

3. ELIGIBILITY FOR APPLICATION

The following persons are eligible and may apply for subscription to the units of the scheme (subject to wherever relevant Statutory Regulations and their respective constitutions):

1. Resident adult individuals either singly or jointly (not exceeding three) or on an Anyone or Survivor basis;
2. Minors through parent / legal guardian;
3. Karta of Hindu Undivided Family (HUF);

4. Partnership Firms;
5. Companies, Bodies Corporate, Public Sector Undertakings, Association of Persons or bodies of individuals jointly and societies registered under the Societies Registration Act, 1860;
6. Banks & Financial Institutions;
7. Mutual Funds registered with SEBI;
8. Religious and Charitable Trusts and wakfs or endowments of private trusts (subject to receipt of necessary approvals as required) and Private trusts are authorized to invest in Mutual Fund Scheme(s) under their trust deeds except for certain states like Maharashtra, Madhya Pradesh, Andhra Pradesh, Gujarat and Rajasthan where individual schemes need to be accorded the status of Public Security to qualify as investments under the said provision.
9. Non-resident Indians (NRIs)/Persons of Indian Origin residing abroad (PIO) on repatriation basis or on non-repatriation basis;
10. Foreign Institutional Investors (FIIs) registered with SEBI on repatriation basis;
11. Army, Air Force, Navy and other paramilitary Units and bodies created by such institutions;
12. Scientific and Industrial Research Organizations;
13. Provident / Pension (Gratuity / Superannuation) Fund and such other retirement and employee benefit and other similar funds (so long as the Sale of Units is permitted under their respective constitutions).
14. Multilateral Funding Agencies/Bodies Corporate incorporated outside India with the permission of Government of India/Reserve Bank of India;
15. Other Scheme(s) of Sahara Mutual Fund subject to the conditions and limits prescribed by SEBI Regulations;
16. Trustees Promoters, AMC, Sponsor and their associates/employees may subscribe to Units under this Scheme;
17. Such other individuals/institutions/body corporate etc., as may be decided by the AMC from time to time, so long as wherever applicable they are in conformity with SEBI Regulations.

Note:

1. In terms of the notification No. FERA/195/99-RB dated March 30, 1999 and FERA/212/99-RB dated October 18, 1999, the RBI has granted a general permission to Mutual Funds, as referred to in Clause 23(D) of Section 10 of the Income Tax Act, 1961 to issue and repurchase Units of their Scheme(s) which are approved by SEBI to NRIs / PIOs and FIIs respectively, subject to conditions set out in the aforesaid notifications. Further, general permission is also granted to send such Units to NRIs / PIOs and FIIs to their place of residence or location as the case may be.
2. In case of application under a Power of Attorney or by a limited company or a corporate body or an eligible institution or a registered society or a trust fund, the original Power of Attorney or a certified true copy duly notarized or the relevant resolution or authority to make the application as the case may be, or duly notarized copy thereof, along with a certified copy of the Memorandum and Articles of Association and / or bye laws and / or trust deed and / or partnership deed and Certificate of Registration should be submitted. The officials should sign the application under their official designation. In case of a trust / fund it shall submit a certified true copy of the resolution from the trustee(s) authorizing such purchases.
3. Returned cheques are liable not to be presented again for collection and the accompanying application forms are liable to be rejected. In case the returned cheques are presented again, the necessary charges are liable to be debited to the investor.

4. Any request for withdrawal of application made during the New Fund Offer Period will be treated as Redemption request and shall be processed at the Repurchase Price on the first day after the Scheme opens for Repurchase on an on-going basis.

4. PROCEDURE FOR APPLICATION

1. The application form for the Sale of Units will be available and accepted at the office of the AMCs office / Collection Centers / ISCs during business hours on their respective business days.
2. Applications must be completed in BLOCK LETTERS in English.
3. Signatures should be in English or in any Indian Language.
4. All cheques and bank drafts must be drawn in favour of “**Sahara Power Fund**”. All cheques and bank drafts accompanying the application form should contain the application form number on its reverse.
5. In order to protect the interest of investors from fraudulent encashment of cheques, the current SEBI Regulations, has made it mandatory for Investors to mention in their Application / Redemption request, the bank name and account number(in full). Securities and Exchange Board of India (SEBI) vide its circular dated April 27th, 2007, directed that PAN would be the sole identification number for all participants transacting in the securities market including mutual funds, irrespective of the amount of transaction.

Consequently it is mandatory for all the existing and prospective investors (including all joint applicants / holders, guardians and Non – resident Indians) to furnish attested copy of the PAN along with the application for investment.

Accordingly investment application received upto December 31, 2007,

1. For applicable transactions **below Rs 50,000/-** :
 - Either attested copy of PAN card or
 - Copy of Form 49A acknowledgement.
2. For applicable transactions of **Rs 50,000/- or more** :
 - Either attested copy of PAN card or
 - Copy of Form 49A acknowledgement **and** Form 60 / Form 61.

Copy of PAN card can be attested by any one of the following 1) Offices of Sahara Mutual Fund 2) Investor Service Centers of our Registrar and Transfer Agents (KARVY Computer share Pvt Ltd) 3) Bank Manager of Scheduled Commercial Bank 4) Gazetted Officer 5) Notary Public 6) AMFI Certified Distributor (with ARN affixed).

The applicant should also produce the PAN card for verification at the time of making application for investment.

Attaching the evidence of having applied for PAN along with investment application is permitted upto 31st Dec 2007. Effective from **January 1, 2008 submission of PAN card copy is mandatory for all applicable transactions.**

Applications without this information and documents will be deemed to be incomplete and liable to be rejected. Further, applications, where the details of the documents submitted as evidence for PAN does not match with the applicants/existing information available with Sahara Mutual Fund/ income tax authorities is liable to be rejected.

6. Under Power of Attorney: If any application or any request for transmission is signed by a person holding a valid Power of Attorney, the original Power of Attorney or a certified copy duly notarized

should be submitted with the application or the transmission request, as the case may be, unless the Power of Attorney has already been registered with the Fund / Registrar.

In case of applications by limited company or a corporate body or an eligible institution or a registered society or a trust or a fund or a FII, a certified true copy of the Board resolution of the Managing Body authorizing investments in Units including authority granted in favour of the officials signing the application for Units and their specimen signature etc., along with a certified copy of the Memorandum and Articles of Association and/or bye-laws and/or trust deed and/or partnership deed and Certificate of Registration should be submitted. The officials should sign the application under the official designation. In the case of a Trust/Fund, it shall produce a resolution from the Trustee(s) authorizing such purchases.

The above mentioned documents or duly certified copy thereof must be lodged separately at the office of the Registrar to the Offer, quoting the serial number of the application.

In case of non submission of the above mentioned documents, the Trust is entitled, in its sole and absolute discretion, to reject or accept any application.

7. Applications not complete in any respect are liable to be rejected.

5. MODE OF PAYMENT

RESIDENT INVESTORS

- **For Investors having a bank account with such banks with whom the AMC would have an arrangement from time to time:**
Payments may be made for subscription to the Units of the Scheme either by issuing a cheque drawn on such banks or by giving a debit mandate to their account with any branch of such banks with whom the AMC may have an arrangement from time to time.
- **For other Investors not covered by above:**
Payment may be made by cheques or bank draft drawn on any bank, which is situated at and is a member of the Bankers' Clearing House, located at the place where the application is submitted. No cash, money orders, post-dated cheques (except through SIP) and postal orders will be accepted. Bank charges for outstation demand drafts will be borne by the AMC at its discretion and will be limited to the bank charges stipulated by the State Bank of India, if a demand draft issued by a bank in a place where there is no ISC / Collection Center provided for the investors. In all other cases, the AMC will not accept any request for refund of demand draft charges.

REPATRIATION BASIS

- In the case of NRIs/PIOs, payment may be made by means of a Draft in Indian Rupees purchased abroad or by a cheque drawn on Non-Resident (External) Account / FCNR Account, payable at par in Mumbai and/or at the respective ISC location where the application has been submitted. Payments may also be made through Demand Drafts or other instruments permitted under the Foreign Exchange Management Act, 1999.
- FIIs and International Multilateral Agencies shall pay their subscription out of their special Non-Resident Rupee Account maintained with a designated bank in India.
- Such applicants would have to subsequently arrange to provide a certificate from their bankers confirming that the amount has been paid by debiting a NRE/FCNR account.

NON-REPATRIATION BASIS

- NRIs can invest by cheques / demand drafts drawn out of Non-Resident Ordinary (NRO) Account / Non-Resident Special Rupee Account (NRSR).
- FIIs may pay their subscription amounts out of their special Non-Resident Rupee Amount maintained with a designated bank in India or as may be permitted by law.

MASTER ACCOUNT / FOLIO

As an investor friendly measure, unless otherwise requested by the Unit holder, one Master Account / Folio Number will be assigned for one Unit holder having holdings in different Scheme(s) of the Mutual Fund. In such a case, one consolidated Account Statement will be provided. The number of Units allotted to a Unit holder or Repurchased will be reflected in his or her account and a statement to this effect will be issued to the Unit holder on request or once in a quarter by the AMC. The AMC reserves the right to assign the existing Master Account / Folio Number against multiple applications and / or subsequent purchases under a new application form by an existing Unit holder, with identical mode of holding and address.

ACCOUNT STATEMENT

The AMC shall issue to the applicant whose application has been accepted, unit certificates or a statement of account specifying the number of units allotted to the applicant as soon as possible but not later than 30 days from the date of the closure of the initial subscription list or on receipt of the request from the unit holder. The Account Statement shall not be construed as a proof of title and is only a computer-generated statement indicating the details of transactions under the Scheme and is a non-transferable document. The Account Statement will be issued in lieu of Unit Certificates.

UNIT CERTIFICATES

Normally no Unit certificates will be issued. However, if the applicant so desires, the AMC shall issue a non-transferable Unit certificate to the applicant within 6 weeks of the receipt of request for the certificate. Unit certificate if issued must be duly discharged by the Unit holder(s) and surrendered along with any request for Redemption / Switch or any other transaction of Units covered therein.

HOUSE HOLDINGS

Normally, newsletters are sent to each Unit holder, which results in certain households with one or more members as the Unit holders of the Scheme getting multiple copies. It is the intent of the AMC to cull the database and send each such "household" a single newsletter. The AMC feels that this will not inconvenience the Unit holders. In case it does, please write to the AMC, for additional copies.

JOINT HOLDERS

In the event the account has more than one registered holder the first-named Unit holder shall receive the account statements, all notices and correspondence with respect to the account, as well as the proceeds of any Redemption requests or dividends or other distributions. In addition, such holder shall have the voting rights, as permitted, associated with such Units as per the applicable guidelines.

The Unit holder can specify the 'mode of holding' in the prescribed form (mentioned above) as 'Jointly' or 'Anyone or Survivor'. In the case of holding specified as 'Jointly', Redemptions would 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 / authority 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 to the first-named Unit holder.

In case of death / insolvency of any one or more of the persons named in the Register of Unit holders as the joint holders of any Units, the AMC shall not be bound to recognize any person(s) other than the

remaining holders. In all such cases, the proceeds of the Redemption will be paid to the first-named of such remaining Unit holders.

6. NOMINATION FACILITY

The AMC has provided this nomination facility as an additional feature. By provision of this facility the AMC is not in any way attempting to grant any rights other than those granted by law to the nominee. A nomination in respect of the Units does not create an interest in the property after the death of the Unit holder. The nominee shall receive the Units only as an agent and trustee for the legal heirs or legatees as the case may be. It is hereby clarified that the nominees under the nomination facility provided herein shall not necessarily acquire any title or beneficial interest in the property by virtue of this nomination.

If a nomination is made by a single/joint Unit holder(s) or a surviving Unit holders not being persons:

- a. holding the Units as holder of an office
- b. acting for a trust
- c. acting in any other capacity for any other person with a beneficial interest in Units,

the same shall be recognized by the AMC.

The nomination facility extended under the Scheme is subject to existing laws. The single/joint/surviving Unit holders can subsequently write to the ISC requesting for a Nomination Form in order to nominate any person to receive the Units upon his/her/their death, subject to completion of necessary formalities. Payment to the nominee of the sums shall discharge the Mutual Fund of all liability towards the estate of the deceased Unit holder and his/her/their successors/legal heirs.

TRANSFER FACILITY

The Mutual Fund will be repurchasing Units on an ongoing basis and hence the transfer facility is found redundant. However, if a transferee becomes a holder of the Units by operation of law or upon enforcement of a pledge, then the AMC shall, subject to production of such evidence, which in their opinion is sufficient, proceed to effect the transfer, if the intended transferee is otherwise eligible to hold the Units.

TRANSMISSION

In case of death of the First named unit holder, the outstanding units under the relevant folio shall be transmitted in favour of the second named joint holder (where the units are held jointly) or to the legal heir(s) as the case may be on production of necessary documents (like death certificate etc., which may be specified by the AMC). Such transmission of units shall not be deemed to be sale or repurchase of units.

PLEDGE OF UNITS

The Units under the respective options may be offered as security by way of a pledge / charge in favour of scheduled banks, financial institutions, non-banking finance companies (NBFC's), or any other body. The AMC and / or the ISC will note and record such pledged units. A standard form for this purpose is available on request from any of the ISCs. Disbursement of such loans will be at the entire discretion of the bank / financial institution / NBFC or any other body concerned and the Mutual Fund assumes no responsibility thereof.

The Pledge will not be able to redeem Units that are pledged until the entity to which the Units are pledged provides written authorization to the Mutual Fund that the pledge / lien charge may be removed. As long as units are pledged, the Pledge will have complete authority to redeem such Units.

UNITS WITH DEPOSITORY

Units of the respective options may, if decided by the AMC, be held with a Depository. Under such circumstances, Units will be transferable in accordance with the provisions of Depositories Act, 1996 and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 as may be amended from time to time.

7) REPURCHASE OF UNITS ON AN ONGOING BASIS

The scheme will open for repurchase not later than 30 days after the close of New Fund Offer period. Units of the scheme would be available for repurchase at NAV based prices, subject to the applicable load.

The redemption cheques will be dispatched to the unit holders within the statutory time limit of 10 business days. However, the Fund will, under normal circumstances, endeavor to dispatch redemption proceeds on T + 3 basis from the date of acceptance of the requests. The repurchase request can be made for any amount of Rs.1000/- or more.

(i) MINIMUM AMOUNT / UNITS FOR REPURCHASE

The Repurchase / Switch would be permitted to the extent of credit balance in the Unit holder's account. The Repurchase / Switch request can be made by specifying the rupee amount or by specifying the number of Units of the respective Plans to be Repurchased. If a Repurchase / Switch request is for both, a specified rupee amount and a specified number of Units of the respective Plans, the specified number of Units will be considered the definitive request. If only the Repurchase / Switch amount is specified by the Unit holder, the AMC will divide the Repurchase / Switch amount so specified by the Repurchase Price to arrive at the number of Units. The request for Repurchase / Switch of Units could also be in fractions, up to four decimal places. Repurchase / Switch request can be made for a minimum amount of Rs.1000/- for Sahara Power Fund. The minimum amount of Repurchase / Switch may be changed in future by the AMC. If the balance in the account of the Unit holder does not cover the amount of Repurchase request, then the Mutual Fund is authorized to close the account of the Unit holder and send the entire such (lesser) balance to the Unit holder.

In case units are held in Dematerialized (demat) mode, the Repurchase request can be made by specifying the number of units to be repurchased. The AMC reserves the right to change the basis for Repurchase through demat mode from Unit basis to any other basis.

(ii) REPURCHASE PRICE

Repurchase Price will be calculated on the basis of the Applicable NAV and applicable Exit Load, if any. The Repurchase Price per Unit of the respective options will be calculated using the following formula:

Repurchase price= Applicable NAV (1-Exit Load, if any)

Securities Transaction Tax (STT)

The scheme would levy a Securities Transaction Tax (STT) of 0.25% at the time of repurchase from all investors regardless of the amount/date of investment. The STT would be computed on the applicable NAV as on the date of repurchase.

The concept of Securities Transaction Tax (STT) is explained by means of an example below:

Investment Amount: Rs.10000/- Entry NAV: Rs.10/-
Units Allotted on Investment Amount: 1000 units

NAV on the date of repurchase: Rs.12000.00
If Exit Load: 1% Repurchase price: Rs.11880/-
Units redeemed: 1000
Amount payable by the fund: Rs.11880/-
Amount payable net of STT: (Amount /1.0025) i.e. Rs.11850.40
Securities Transaction Tax deducted: Rs.49.60.

The above illustration is only for the purpose of a general understanding of Securities Transaction Tax and should not be taken as an indication of the scheme's performance.

(iii) PAYMENT OF REPURCHASE PROCEEDS

1. For Unit holders having a bank account with HDFC Bank Limited, or such other banks with whom the AMC would have an arrangement from time to time:

Unit holders having a bank account with certain banks with which the Mutual Fund would have an arrangement from time to time may avail the facility of Direct Credit to their account for Repurchase of the Units of the Scheme. In such cases the Mutual Fund will under normal circumstances endeavor to credit the first / sole Unit holders account with the Repurchase proceeds on T + 3 basis from the date of redemption or repurchase. " If the payment is not made within the period as stipulated in the SEBI regulations, unit holder shall be paid interest @15% for the delayed period".

2. For other Unit holders not covered by above:

Repurchase proceeds will be paid by cheque and payments will be made in favour of the Unit holder (registered holder of the Units or, if there is more than one registered holder, only to the first registered holder) with bank account number furnished to the Mutual Fund (please note that it is mandatory for the Unit holders to provide the Bank account details as per the directives of SEBI). Repurchase cheques will be sent to the Unit holders address (or, if there is more than one holder on record, the address of the first-named Unit holder. All Repurchase payments will be made in favour of the registered holder of the Units or, if there is more than one registered holder, only to the first registered holder.

As per SEBI Regulations, the Mutual Fund shall dispatch Redemption proceeds within 10 Business Days from the date of redemption/ repurchase. However, under normal circumstances, the Mutual Fund will endeavor to dispatch the Redemption cheque on T + 3 basis from the date of redemption/ repurchase.

BANK DETAILS

In order to protect the interest of Unit holders from fraudulent encashment of cheques, the current SEBI Regulations, has made it mandatory for investors to mention in their Application / Redemption request, their bank name and account number. The normal processing time may not be applicable in situations where such details are not provided by Investors / Unit holders. The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques and / or any delay / loss in transit.

PERMANENT ACCOUNT NUMBER (PAN)

Securities and Exchange Board of India (SEBI) vide its circular dated April 27th, 2007, directed that PAN would be the sole identification number for all participants transacting in the securities market including mutual funds, irrespective of the amount of transaction.

Consequently it is mandatory for all the existing and prospective investors (including all joint applicants / holders, guardians and Non – resident Indians) to furnish attested copy of the PAN along with the application for investment.

Accordingly investment application received upto December 31, 2007,

1. For applicable transactions **below Rs 50,000/-** :

- Either attested copy of PAN card or
- Copy of Form 49A acknowledgement.

2. For applicable transactions of **Rs 50,000/- or more** :

- Either attested copy of PAN card or
- Copy of Form 49A acknowledgement **and** Form 60 / Form 61.

Copy of PAN card can be attested by any one of the following 1) Offices of Sahara Mutual Fund 2) Investor Service Centers of our Registrar and Transfer Agents (KARVY Computershare Pvt Ltd) 3) Bank Manager of Scheduled Commercial Bank 4) Gazetted Officer 5) Notary Public 6) AMFI Certified Distributor (with ARN affixed).

The applicant should also produce the PAN card for verification at the time of making application for investment.

Attaching the evidence of having applied for PAN along with investment application is permitted upto 31st Dec 2007. Effective from **January 1, 2008 submission of PAN card copy is mandatory for all applicable transactions.**

Applications without this information and documents will be deemed to be incomplete and liable to be rejected. Further, applications, where the details of the documents submitted as evidence for PAN does not match with the applicants/existing information available with Sahara Mutual Fund/ income tax authorities is liable to be rejected.

ELECTRONIC CLEARING SERVICE (ECS)

ECS is a facility offered by RBI, for facilitating better customer service by direct credit of dividend to an investor's bank account through electronic credit. This helps in avoiding loss of dividend warrant in transit or fraudulent encashment. The Mutual Fund will endeavor to arrange such facility for payment of dividend proceeds to the Unit holders. However, this facility is optional for the investors.

In order to avail the above facility, the investor will have to give a written request to the ISC. If the Unit holder has opted for the ECS facility his / her bank branch will directly credit the amount due to them in their account whenever the payment is through ECS. The ISC will send a separate advice to the Unit holder informing them of the direct credit.

It may be noted that there is no commitment from the Mutual Fund that this facility will be made available to the Unit holders for payment of dividend proceeds. While the Mutual Fund will endeavor in arranging the facility it will be dependent on various factors including sufficient demand for the facility from Unit holders at any center, as required by the authorities. In places where such a facility is not available or if the facility is discontinued by the Scheme for any reason, the AMC shall dispatch to the Unit holders the dividend warrants within 30 days of the declaration of the dividend.

REPURCHASE BY NRIs / PIOs

Credit balances in the account of an NRI Unit holder, may be redeemed by such unit holder in accordance with the procedure described above and subject to procedures laid down by the RBI, if any.

Payment to NRI Unit holders will be subject to the relevant laws / guidelines of the Reserve Bank of India as are applicable from time to time.

- The amounts due on Redemptions (subject to deduction of tax at source) will be remitted in foreign exchange or credited to the NRE / FCNR account of the Unit holder where the original investment in the Units was made on repatriation basis by an NRI Investor either through direct inward remittance or by debit to NRE / FCNR account.
- In all other cases, Redemption proceeds (subject to deduction of tax at source) will be paid by means of a Rupee cheque payable to the NRO / NRSR account of the Unit holder as applicable.

Where investments have been made on a non-repatriation basis then such Redemption proceeds will be paid by means of a Rupee cheque payable to the NRO / NRSR account as applicable of the Unit holder and subject to deduction of tax at source as applicable.

(iv) RIGHT TO LIMIT REPURCHASES

The AMC may, in the general interest of the Unit holders of the Scheme, keeping in view the unforeseen circumstances / unsure conditions, limit the total number of Units which may be Repurchased on any Business Day to 5% of the total number of Units then in issue under each Plan of the Scheme (or such higher percentage as the AMC & Trustees may approve in any particular case). In addition, the Trustees & AMC reserves the right to limit Redemptions with respect to any single account to an amount of Rs.1 crore on a single Business Day. Any Units which by virtue of these limitations are not Repurchased on a particular Business Day will be carried forward for Repurchase to the next Business Day, in order of receipt. Repurchases so carried forward will be priced on the basis of the Repurchase Price of the Business Day on which Repurchase is made. Under such circumstances, to the extent multiple Repurchase requests are received at the same time on a single Business Day, Repurchase will be made on pro-rata basis, based on the size of each Repurchase request, the balance amount being carried forward for Repurchase to the next Business Day(s). However, after obtaining the approval from the AMC & Trustees the proposed right to limit purchase will be informed to SEBI giving details of circumstances and justification for the proposed action in advance.

CLOSURE OF UNIT HOLDERS' ACCOUNT

Investors may note that the AMC at its sole discretion may close a Unit holder's account under any of the options of the Fund after giving notice of 30 days, if at the time of any part Repurchase, the value of balance Units (represented by the Units in the Unit holder's account if such Repurchase / Switch were to take place, valued at the applicable Repurchase Price), falls below the minimum subscription as applicable from scheme to scheme (or such other amount as the AMC may decide from time to time) or where the Units are held by a Unit holder in breach of any Regulation. Where a Unit holder who is a person resident in India at the time of subscription of Units becomes a person resident outside India subsequently, the proceeds on Repurchase will be non-repatriable.

(v) SUSPENSION OF REPURCHASE / SWITCHING OPTIONS OF THE UNITS

The Mutual Fund at its sole discretion reserves the right to withdraw repurchase or Switching of the Units in the Scheme (including any one of the Plan of the Scheme) temporarily or indefinitely, if in the opinion of the AMC the general market conditions are not favorable and / or suitable investment opportunities are not available for deployment of funds. However, the suspension of Repurchase / Switching either temporarily or indefinitely will be with the approval of the Trustees & AMC and the same to be notified to SEBI in advance giving details of circumstances and justification for the proposed action.

The Repurchase and Switching of the Units may be temporarily suspended under the following conditions:
1. When one or more stock exchanges or markets, which provide basis for valuation for a substantial portion of the assets of the Scheme are closed otherwise than for ordinary holidays.

2. When, as a result of political, economic or monetary events or any circumstances outside the control of the Trustee and the AMC, the disposal of the assets of the Scheme are not reasonable, or would not reasonably be practicable without being detrimental to the interests of the Unit holders.
3. In the event of breakdown in the means of communication used for the valuation of investments of the Scheme, without which the value of the securities of the Scheme cannot be accurately calculated.
4. During periods of extreme volatility of markets, which in the opinion of the AMC are prejudicial to the interests of the Unit holders of the scheme.
5. In case of natural calamities, war, strikes, riots and bandhs.
6. In the event of any force measure or disaster that affects the normal functioning of the AMC or the ISC.
7. During the period of Book Closure.
8. If so directed by SEBI.

The AMC reserves the right in its sole discretion to withdraw the facility of Switching Option of Units out of the Scheme (including any one option of the scheme/fund), temporarily or indefinitely.

IX. LOAD STRUCTURE & EXPENSES

(i) EXPENSES OF THE SCHEME(S)

The information provided under this Section seeks to assist the investor in understanding the expense structure of the Fund/Scheme(s) and types of different fees and their percentage the investor is likely to incur on purchasing and selling the Units of the Scheme(s).

UNIT HOLDER TRANSACTION EXPENSES OR SALES LOAD

Particulars	Maximum Charge %
Sales Load	7%
Sales Load on issue of Units in lieu of dividends/reinvestment (as % of NAV)	Nil
Contingent Deferred Sales Load (CDSC) (based on any period of holding) (as % of NAV)	Nil
Maximum Redemption / Repurchase Load (as % of NAV)	7%
Switchover / Exchange Fee (as % of NAV)	As per Entry/Exit Load applicable to respective schemes/Plans/Options

Present Load Structure:

Entry Load : 2.25% Exit Load : Nil

Switches will also attract loads as per provisions of the respective schemes.

The Trustee reserves the right to change the Load structure if it so deems fit in the interest of the smooth and efficient functioning of the scheme, on a prospective basis. Under the normal circumstance based on the scheme's potential performance in the market environment existing as of the date of the Offer Document, the Fund intends to charge loads, till subsequently changed.

Contingent Deferred Sales Charge (CDSC) : Nil

The contingent deferred redemption load may be levied largely to protect the scheme and the existing unit holders from loss that may be incurred while liquidating the fund's investments, securities, to generate liquidity to meet the repurchase request of unit holders and costs related to the sale, promotion and marketing of the units of the scheme.

Under the Scheme(s), the Trustees reserves the right to modify / change the load structure if it so deems fit in the interest of smooth and efficient functioning of the Mutual Fund with prospective effect within the limits prescribed and as per SEBI Regulations. A load structure may comprise of an exit load and/or switchover load as may be permissible under the SEBI Regulations. The AMC reserves the right to introduce an entry load (applicable for NFO only as closed ended scheme), exit load and/or switchover load depending upon the circumstances prevailing at that time. The load may also be changed from time to time and in the case of an exit/repurchase load this may be linked to the period of holding. The Trustees may charge a load for switch of Units between the various Plans of the Scheme and this load may be different from the Sales load charged for sale of new Units. The load charged could also be

different for different Plans of the Scheme(s) at the same time. All loads including CDSC for each Scheme shall be maintained in a separate account and may be utilized towards meeting the selling and distribution expenses. Any surplus in this account may be credited to the Scheme, whenever felt appropriate by the AMC.

Any imposition of or enhancement of load in future shall be applicable on prospective investments only. At the time of changing the load structure beyond the limits disclosed hereinabove i.e. as per the table given above, the AMC shall take the following steps.

(1) The addendum detailing the changes may be attached to offer documents and abridged offer documents. The addendum may be circulated to all distributors/brokers so that the same can be attached to all offer documents and abridged offer documents already in stock. The addendum may be sent along with the newsletter sent to the unit holders immediately after the changes.

(2) Arrangements may be made to display the changes/modifications in the offer documents in the form of a notice in all the service centers and distributors/brokers office.

(3) The applicable Exit Load along with the details shall be stamped in the acknowledgement slip issued to the investors on submission of applications forms and shall be disclosed on the Account statement issued to the Investor, after the introduction of such load.

2). NEW FUND OFFER EXPENSES

New Fund Offer issue expenses of the scheme are however estimated as under:

Nature of Expenses	Sahara Power Fund
Advertising / Marketing Exps / Printing & Mailing Exps Commission to Agents / Brokers	1.75
Registrars Expenses	0.25
Printing and Mailing Expenses	0.10
Postage and Miscellaneous Expenses	0.10
Bankers Fees and Other Expenses	0.05
TOTAL	2.25

The above estimates are subject to change as per actual. However, the amount to be charged to the scheme(s) will be limited to the following percentages of the amount mobilized under the Scheme(s) during the New Fund Offer Period.

3. ANNUAL SCHEME RECURRING EXPENSES

The Scheme would commence recurring ongoing expenses from the first day including during the new fund offer period. It shall be the endeavour of the AMC to maintain a lower expenses ratio than that allowed by SEBI as given in the tables below:

Nature of expenses	Estimated %
Investment Management & Advisory Fees	1.25
Trustee Fees	0.03
Custodian Fees	0.05
Registrar & Transfer Agent Fees	0.50
Marketing & Selling Exps including Agents Commission	0.45
Audit fees Cost	0.05
Such other expenses, which are directly attributable to the scheme, subject to the approval of the Trustees	0.17

TOTAL	2.50
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The purpose of the table is to assist the investor in understanding the various costs and expenses that an investor in the respective plans will bear directly or indirectly. These estimates have been made in good faith by the AMC and are subject to change inter se. The expenses under any head may be more or less than as specified in the table above, but the total recurring expenses that can be charged to the Scheme will be subject to limits prescribed from time to time under the SEBI Regulations.

However, the total expenses, which will be charged to the options (excluding issue or redemption expenses whether borne by the Mutual Fund or by the AMC but including the Investment Management and Advisory fees) as prescribed by SEBI, will be subject to limits of:

(% per annum of average weekly net assets)

Particulars	Equity Schemes
First Rs. 100 crore	2.50
Next Rs. 300 crore	2.25
Next Rs. 300 crore	2.00
Balance Assets	1.75

Any expenditure in excess of the limits specified above, shall be borne by the AMC or by the Trustees or the Sponsor. Further, as and when permitted by SEBI, the AMC may charge a higher fee for that part of the Unit capital that is invested overseas. However revision in fees charged shall be within the SEBI Regulations at all times.

4. Fees and Expenses of Past Schemes and Condensed Financial Information.

a) The new fund offer issue expenses of the past Scheme(s) are as follows:

Initial Issue Expenses	Sahara Tax Gain Fund (%)	
	Estimated as per Offer Document	Actual (audited)
Advertising Expenses	2.00	1.12
Commission to Agents / Brokers	1.75	1.65
Registrars Expenses	0.50	2.07
Printing and Mailing Expenses	1.25	4.12
Postage and Miscellaneous Expenses	0.50	0.59
TOTAL	6.00	9.55

(The excess of 3.55% was borne by the AMC)

b) Initial Issue Expenses of Sahara Income Fund, Sahara Liquid Fund, Sahara Gilt Fund, Sahara Growth Fund & Sahara Short Term Plan, Sahara Mid Cap fund.

Scheme(s)	Initial Issue Expenses	Borne by AMC (Rs.)	Borne by the scheme(s) (Rs.)
Sahara Income Fund Sahara Liquid Fund Sahara Gilt Fund	Combined Rs. 78 lakhs	In full	NIL
Sahara Short Term Plan	Rs. 1.50 lakhs	In full	NIL
Sahara Growth Fund	Rs. 23 lakhs	In full	NIL
Sahara Mid Cap Fund	Rs.2.39 crores	In full	NIL

c) The New Fund Offer expenses of Sahara Wealth plus Fund and Sahara Infrastructure Fund , Sahara FMP 395 days, FMP 3 months.

Scheme	Estimated as per Offer Document (%)	Actual incurred (%)
Sahara Wealth Plus Fund	6.00	10.65%
Sahara Infrastructure Fund	6.00	6.86%
Sahara FMP -395 Days	3.00	0.18%
Sahara FMP 3 months	3.00	0.18%

(The excess of 4.65 % and 0.86 % respectively was borne by the AMC). Under FMP, the NFO expenses is being amortized over the period of the scheme.

CONDENSED FINANCIAL INFORMATION -HISTORIC PER UNIT STATISTICS

	INCOME FUND			Sahara Mid cap Fund Audit			LIQUID FUND		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Date of allotment	21.02.2002			31.12.2004			19.02.2002		
NAV at the beginning of the year/									
Growth (FPO)	11.7234	11.7825	12.2294	NA	10.0096	17.57	10.3594	11.9127	1257.3228
Dividend (FPO)	10.5509	10.6051	11.0073	NA	10.0096	15.6846	10.2338	10.2369	1023.9399
Bonus	NA	NA	NA	NA	10.0096	17.57	NA	NA	NA
Growth Auto payout	NA	NA	NA	NA	10.0096	17.57	NA	NA	NA
Growth (VPO)	NA	NA	NA	NA	NA	NA	NA	NA	1258.5984
Dividend (VPO)	NA	NA	NA	NA	NA	NA	NA	NA	1023.9494
Dividend –Weekly FPO	NA	NA	NA	NA	NA	NA	NA	NA	1024.6207
Dividend Monthly- FPO	NA	NA	NA	NA	NA	NA	NA	NA	1023.8567
Dividend –Weekly VPO	NA	NA	NA	NA	NA	NA	NA	NA	1023.936
Dividend Monthly- VPO	NA	NA	NA	NA	NA	NA	NA	NA	1024.051

Net Income per unit (Rs.)	-1.35	0.49	2.66	0.71	7.45	2.66	1.27	56.3	90.97
Dividend (Rs.)	Nil	Nil	1	Nil	1.5	Nil	0.44	\$\$	\$\$
Transfer to reserves (if any)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
NAV at the end of the year / period (Rs)									
Growth – FPO	11.7825	12.2294	13.1108	10.0096	17.57		11.9127	1257.3228	1341.8953
Dividend- FPO	10.6051	11.0073	10.7974	10.0096	15.6846		10.2369	1023.9399	1024.769
Bonus	NA	NA	NA	10.0096	17.57		NA	NA	NA
Growth Auto payout	NA	NA	NA	10.0096	17.57		NA	NA	NA
Growth (VPO)	NA	NA	NA	NA	NA		NA	1258.5984	1346.2234
Dividend (VPO)	NA	NA	NA	NA	NA		NA	1023.9494	1024.7842
Dividend –Weekly FPO	NA	NA	NA	NA	NA		NA	1024.6207	1025.441
Dividend Monthly- FPO	NA	NA	NA	NA	NA		NA	1023.8567	1025.0915
Dividend –Weekly VPO	NA	NA	NA	NA	NA		NA	1023.936	1025.4167
Dividend Monthly- VPO	NA	NA	NA	NA	NA		NA	1024.051	1025.5347
Annualized return (%)	0.5	3.81	7.17	0.1	75.52		4.87	NA/5.5443^	6.95/6.71
Return on Benchmark (%)	0.18	3.29	3.68	7.2	64.16		4.17	4.855^	6.39
Net Assets end of period (Rs. Lakhs)	399.37	267.52	140.64	2499.36	1571.84		21389.72	18100.93	12637.35

Ratio of Recurring Expenses to Net Assets (%)	1.75	1.74	1.72	2.50%	2.49		0.75	0.32	0.33
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PER UNIT STATISTICS	GILT FUND			GROWTH FUND			TAX GAIN Fund Audit		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Date of allotment	21.02.20			03.09.20			01.04.19		
NAV at the beginning of the year/ period									
Growth	11.6612	11.397	11.6622	19.6	24.65	42.9092	67.18	19.82	20.0268
Dividend	10.6639	10.4223	10.665	15.77	16.89	21.6975	57.05	45.83	17.4975
Net Income per unit (Rs)	0.01	1.54	-1.40	24.82	1.84	2.66	11.92	4.89	1.27
Dividends(Rs)	Nil	Nil	1	3	7.5	Nil	30	2.5	Nil
Transfer to reserves (if any)	NIL	Nil	Nil	NIL	Nil	Nil	NIL	Nil	Nil
NAV at the end of the year / period									
Growth	11.397	11.6622	12.5563	24.65	42.9092	48.0055	19.82	20.0268	19.2531
Dividend	10.4223	10.665	10.4812	16.89	21.6975	24.2958	45.83	17.4975	16.7975
Annualized return (%)	-2.27	2.33	7.44	25.77	74.16	11.81	28.1	86.45	-3.87
Return on Benchmark (%)	-0.26	4.41	5.31	14.89	67.15	12.31	18.27	62.82	1.2
Net Assets end of period (Rs. Lakhs)	5903.74	1015.64	15.52	559.5	787.78	368.04	202.55	457.91	480.23
Ratio of Recurring Expenses to Net Assets (%)	1.49	1.57	1.12	2.29	2.44	2.47	2.49	2.48	2.50

() based on Rs.1000/- per unit. ^ Fixed Pricing Option

\$\$ Sahara Liquid Fund

	2006-07	2005-
Dividend declared on various dates on the face value of Rs.1000/- each	(**)	(*)

(**)

Option	Face Value (Rs)	Period	Dividend per unit (Rs.)
Fixed Pricing Option – Daily Dividend Option	1000/-	01/04/2006 to 31/03/2007	131.45
Fixed Pricing Option – Monthly Dividend Option	1000/-	01/04/2006 to 31/03/2007	45.50
Fixed Pricing Option – Weekly Dividend Option	1000/-	01/04/2006 to 31/03/2007	24.54
Variable Pricing Option- Daily Dividend Option	1000/-	01/04/2006 to 31/03/2007	135.93
Variable Pricing Option- Weekly Dividend Option	1000/-	01/04/2006 to 31/03/2007	133.55
Variable Pricing Option- Monthly Dividend Option	1000/-	01/04/2006 to 31/03/2007	72.79
The Dividend Per Unit disclosed above is cumulative for the period mentioned against each option.			

(*)

Option	Face Value(Rs)	Period	Dividend per unit (Rs.)
Fixed Pricing Option – Daily Dividend Option	10/-	01/04/2005 to 26/10/2005	0.32
Fixed Pricing Option – Daily Dividend Option	1000/-	27/10/2005 to 31/03/2006	24.31
Fixed Pricing Option – Weekly Dividend Option	1000/-	27/10/2005 to 31/03/2006	7.25
Variable Pricing Option- Daily Dividend Option	1000/-	27/10/2005 to 31/03/2006	25.07
Variable Pricing Option- Weekly Dividend Option	1000/-	27/10/2005 to 31/03/2006	23.14
Variable Pricing Option- Monthly Dividend Option	1000/-	27/10/2005 to 31/03/2006	24.99

The Dividend Per Unit disclosed above is cumulative for the period mentioned against each option.

Historical Per Unit Statistics – Sahara Wealth Plus Fund	For year ended March 31, 2006	For year ended March 31, 2007	Infrastructure Fund March 31, 2007	FMP 395 Days Mar 31, 2007
NAV at the beginning of the year (Rs)				
Growth – Fixed Pricing Option (FPO)	NA	13.7825	N A	N A

Dividend – Fixed Pricing Option(FPO)	NA	13.7825	N A	N A
Growth- Variable Pricing Option (VPO)	NA	13.8300	N A	N A
Dividend – Variable Pricing Option (VPO)	NA	13.8300	N A	N A
Dividends (Rs)	Nil	Nil	N i l	Nil
NAV at end of the year				
Growth – Fixed Pricing Option (FPO)	13.7825	13.8240	10.6362	10.0254
Dividend – Fixed Pricing Option (FPO)	13.7825	13.8240	10.6362	10.0254
Growth- Variable Pricing Option (VPO)	13.8300	13.9556	10.7038	N A
Dividend – Variable Pricing Option (VPO)	13.8300	13.9556	10.7038	NA
Return (%) * VPO / FPO	38.21% / 37.74	23.74 % / 23.00	7.04/ 6.36	0.25^
Return on benchmark (%) *	35.77	27.78	9.72	0.02^
Net Assets as end of the period (Rs, in lakhs)	5941.79	1424.88	1408.60	407.15
Ratio of recurring expenses to net assets	1.94%**	0.33 %	1.89 %	0.004%

****annualized returns since inception ^ Absolute return**

Sahara Tax Gain '97 was converted into an open ended scheme, Sahara Tax Gain Fund on 11.07.2002. The benchmarks are chosen on the basis of the investment pattern / objective of the scheme(s).

The Following benchmark are used for comparing the returns of the scheme:Sahara Liquid Fund - CRISIL Liquid Fund Index:Sahara Growth Fund- S&P CNX Nifty

Sahara Tax Gain Fund- BSE 200

Sahara Mid Cap Fund- S & P CNX 500

Sahara Wealth Plus Fund - S & P CNX 500

Sahara Income Fund- CRISIL Bond Fund Index ; Gilt Fund: I Sec Composite Index

NAV as on 31/10/2007	Income Fund	Gilt Fund	Liquid Fund	Growth Fund
FPO – Growth	13.691	12.8376	1402.884	74.594

FPO-Dividend	11.2714	10.716	1024.905	27.9632
Bonus	NA	NA	NA	NA
Growth Auto payout	NA	NA	NA	NA
FPO- Dividend(Wkly)	NA	NA	1026.239	NA
FPO-Dividend (Mthly)	NA	NA	1025.967	NA
Variable Pricing Option- Dividend Daily	NA	NA	1024.926	NA
VPO- Dividend(Wkly)	NA	NA	1026.238	NA
VPO-Dividend (Mthly)	NA	NA	1026.322	NA
VPO - Dividend	NA	NA	NA	NA
VPO - Growth	NA	NA	1408.904	NA
Annualized Return from date of Inception (%)	5.673	4.48	6.121 # 7.069##	47.56
Return on benchmark since inception (%)	NA	NA	NA	40.65
Net Assets as on 31/10/2007 (in lakhs)	112.49	0.15	26.35	5.26

^ Daily Dividend * absolute returns # Fixed Pricing Option ## VPO- Variable Pricing Option # Adjusted for

NAV as on 31/10/2007	Tax Gain Fund	Midcap fund	Wealth Plus Fund	Infra-structure Fund	Fixed Maturity Plan-395	FMP 3 months
FPO - Growth	25.9061	23.4363	17.3418	14.9617	10.5680	10.0669

FPO-Dividend	22.6011	20.9183	17.3418	14.9617	10.5679	10.0668
Bonus	NA	23.4363	NA	NA	NA	NA
Growth Auto payout	NA	23.4363	NA	NA	NA	NA
FPO- Dividend(Wkly)	NA	NA	NA	NA	NA	NA
FPO-Dividend (Mthly)	NA	NA	NA	NA	NA	NA
Variable Pricing Option-Dividend Daily	NA	NA	NA	NA	NA	NA
VPO- Dividend(Wkly)	NA	NA	NA	NA	NA	NA
VPO-Dividend (Mthly)	NA	NA	NA	NA	NA	NA
VPO - Dividend	NA	NA	17.5698	15.1128	NA	NA
VPO - Growth	NA	NA	17.5698	15.1128	NA	NA
Annualized Return from date of Inception (%)	33.45	37.20	31.37# 30.54##	31.99# 31.11##	10.821*	8.356*
Return on benchmark since inception (%)	20.70	43.40	45.57	39.12	5.734	5.445
Net Assets as on 31/10/2007 (in lakhs)	7.27	11.21	11.21	14.73	4.32	4.15

^ Daily Dividend * absolute returns # Fixed Pricing Option ## VPO- Variable Pricing Option # Adjusted for Bonus

# Sahara Tax Gain '97 was converted into an open ended scheme, Sahara Tax Gain Fund on 11.07.2002.	
The benchmarks are chosen on the basis of the investment pattern / objective of the scheme(s). The	

following benchmark are used for comparing the returns of the scheme:					
Sahara Income Fund- CRISIL Bond Fund Index		Gilt Fund- I. Sec Composite Index			
Sahara Liquid Fund / Sahara FMP 3 months - CRISIL Liquid Fund Index		Sahara Growth Fund- S&P CNX Nifty			
Sahara Tax Gain Fund- BSE 200		Sahara Mid Cap Fund- CNX Midcap 100			
Sahara Wealth Plus Fund - S & P CNX 500		Sahara FMP 395 days – CRISIL Short term Bond Fund Index			

X. UNIT HOLDER'S RIGHTS & SERVICES

1) INVESTOR SERVICES

Sahara Mutual Fund will endeavor to provide the Unit holder with the highest standards of service. This Mutual Fund is committed to put in place and upgrade on a continuous basis, systems and procedures that will enable effective investor servicing through the use of technology.

BRANCH NETWORK

Sahara AMC will extend service to the investor through ISCs as mentioned in this Offer Document. A complete list of the ISCs is available in this Offer Document. The existing network of Sahara Mutual Fund branches and additional offices made functional in future, will cater to the investor requirements, including collection of applications, issuing accounts statements, and redemption of Units.

CONVENIENCE IN TRANSACTION

Each ISC will provide investors with the requisite information and help in processing transactions in the Schemes of Sahara Mutual Fund. Adequate training will be imparted to personnel managing the investor service section, with a view to early resolution of queries.

ACCOUNT STATEMENT

The statement of account for the initial subscription will be dispatched within 30 days of the closure of the NFO and thereafter on receipt of request from the unit holder or as per SEBI guidelines from time to time..

RECEIVING ACCOUNT STATEMENT / CORRESPONDENCE BY E-MAIL

The Mutual Fund will encourage the Unit holder to provide their e-mail addresses for all correspondence. It is planned that the Mutual Fund's proposed Website would facilitate request for Account Statement by Unit holders. The Mutual Fund will endeavor to send Account Statement and any other correspondence using e-mail as the mode of communication.

The Unit holder will be required to download and print the Account Statement after receiving e-mail from the Mutual Fund. Should the Unit holder experience any difficulty in accessing the electronically delivered Account Statement, the Unit holder shall promptly advise the Mutual Fund to enable the Mutual Fund to make the delivery through alternate means. Failure to advise Sahara Mutual Fund of such difficulty within 24 hours after receiving the e-mail, will serve as an affirmation regarding the acceptance by the Unit holder of the Account Statement.

It is deemed that the Unit holder 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.

INFORMATION DISSEMINATION

The NAV of the scheme will be calculated and published on all business day. Information regarding NAV can be obtained by the Unit holders/Investors by calling or visiting the nearest ISC.

The NAVs of the Scheme shall be published on every business day in atleast two daily newspapers in accordance with SEBI Regulations, NAVs will also be available on the Website of the Mutual Fund & AMFI.

The repurchase price of units shall be published in a daily newspaper on a daily basis in accordance with SEBI Regulations.

An abridged Scheme wise annual report shall be mailed to all Unit holders not later than six months from the date of closure of the relevant accounting year and 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 Unit holders on request on payment of nominal fees, if any.

Before expiry of one month from the close of each half year that is on March 31 and September 30, the Mutual Fund will publish its unaudited financial results in one national 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 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 Unit holders a complete statement of its Scheme portfolio. Provided that the statement of Scheme portfolio may not be sent to the Unit holders if the statement is published, by way of an advertisement, in one English daily 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 as per format prescribed by SEBI vide their Circular No. MFD/CIR/1/200/2001 dated April 20, 2001. These results shall also be displayed on website of the Mutual Fund & AMFI Website

The Mutual Fund shall disclose large unit holdings in the scheme, which are over 25% of the NAV in the annual and half - yearly results.

GENERAL

The AMC/Mutual Fund will not be responsible for any delay/non receipt of dividend/redemption proceeds where it is attributable to any incorrect/incomplete/inconsistent information provided by the Investor. Where any request from the investor ambiguous or contrary to the terms of the scheme or does not conform to the procedures prescribed by the fund, the AMC/Trustee reserves right to reject it.

All response times are to be reckoned from the time of receipt of correct/complete information relating to the transaction.

PERSONAL IDENTIFICATION NUMBER (PIN)

The PIN facility may be made available to the Unit holders in future. Unit holders will be required to indicate their desire to avail of this facility and also indicate their Bank Account No., Name of the Bank and Branch in the application for purchasing Units at a future date. The ISC on introduction of this facility will mail to such Unit holders, 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 Unit holder, the PIN will be mailed to each Unit holder. Unit holders may use the PIN to request purchase, Redemption or

Switch by calling the ISCs only. The Unit holder will be asked for the PIN before the request is accepted. In the interest of the Unit holder, the ISC reserves the right to ask for a fax or other written confirmation of the request and any other additional information about the account of the Unit holder.

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 Unit holder and the Unit holder will abide by the record of the transactions generated. The Mutual Fund and the ISC / Registrar shall not accept any responsibility for the unauthorised use of the PIN.

2) RIGHTS OF UNIT HOLDERS OF THE SCHEME

- Unit holders of the Scheme have a proportionate right in the beneficial ownership of the assets of the respective Plans.
- When the Mutual Fund declares a dividend under the respective Plans, the dispatch of dividend warrants shall be made within 30 days of the declaration of the dividend and dispatch of Redemption or Repurchase proceeds shall be made within 10 Business Days from the date of Redemption or Repurchase.
- As per SEBI Regulations, the Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of the date of repurchase/ redemption. However, under normal circumstances, the Mutual Fund will endeavor to dispatch the Redemption cheque on T + 3 Business Day from the acceptance of the Repurchase request. "If the payment is not within the period stipulated in the regulations, unit holder shall be paid interest @15% for the delayed period."
- The Trustees are bound to make such disclosures to the Unit holders as are essential in order to keep them informed about any information known to the Trustee which may have a material adverse bearing on their investments.
- The appointment of the AMC for the Mutual Fund can be terminated by majority of the directors of the Trustee or by 75% of the Unit holders of the Scheme. The Trustee is obliged to convene a meeting on a requisition of 75% of the Unit holders of a Scheme.
- 75% of the Unit holders of a Scheme can pass a resolution to wind-up a Scheme.
- The Trustees shall obtain the consent of the Unit holders:
 - ✓ Whenever required to do so by SEBI, in the interest of the Unit holders.
 - ✓ Whenever required to do so on the requisition made by three-fourths of the Unit holders of the Scheme.
 - ✓ When the Trustee decides to wind up the Scheme or prematurely redeem the Units.
- 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 Unit holders, shall be carried out unless:
 - ✓ A written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English 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
 - ✓ The Unit holders are given an option to exit at the prevailing Net Asset Value without any Exit Load.

3) DURATION OF THE SCHEME / WINDING UP

The AMC, the Mutual Fund and Trustees reserve the right to make changes alterations to the Scheme (including the charging of fees and expenses) offered under this Offer Document to the extent permitted

by the SEBI Regulations. However, in terms of the SEBI Regulations, the Scheme may be wound up after repaying the amount due to the Unit holders:

- ✓ on the happening of any event which, in the opinion of the Trustee, requires the scheme to be wound up; or
- ✓ Seventy five percent of the Unit holder of the scheme pass a resolution that the scheme be wound up; or
- ✓ SEBI directs the scheme to be wound up in the interest of the Unit holder; or

where a scheme is to be wound up pursuant to the above SEBI Regulations, the Trustee shall give notice of the circumstances leading to the winding up of the scheme

1. to SEBI; and
2. in two daily newspapers having circulation all over India and also in a vernacular newspaper circulating at the place where the Mutual Fund is established.

EFFECT OF WINDING UP

On and from the date of the publication of the notice as stated above, the Trustees or the AMC as the case maybe, shall

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

4) PROCEDURE AND MANNER OF WINDING UP

In the event of the Fund/ Scheme being wound up, the AMC shall proceed as follows:

1. The Trustees shall call a meeting of the Unit holders of the Scheme to consider and pass necessary resolutions by simple majority of Unit holders present and voting at the meeting for authorizing the AMC or any other person/agency to take the steps for winding up of the Scheme. Provided that a meeting shall not be necessary if the Scheme is wound up at the end of the maturity period.

The Trustees or the person authorized as above shall dispose the assets of the Scheme concerned in the best interests of the Unit holders of the Scheme.

2. The proceeds of the sale made in pursuance of the above, shall in the first instance be utilized towards discharge of such liabilities as are properly due under the Scheme and after making appropriate provision for meeting the expenses connected with such 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 the winding up was taken.
3. On the completion of the winding up, the Trustees shall forward to SEBI and the Unit holders, a report on the winding up containing particulars such as circumstances leading to the winding up, the steps taken for disposal of assets of the Scheme before winding up, expenses of the Scheme for winding up, net assets available for distribution to the Unit holders and a certificate from the Auditors of the Mutual Fund.
4. Notwithstanding anything contained herein, the application of the provisions of SEBI Regulations in respect of disclosures of half-yearly reports and annual reports shall continue to be applicable until the winding up is completed or the Scheme ceases to exist.
5. After the receipt of report referred to the above under "Procedure and Manner of Winding up" if SEBI is satisfied that all measures for winding up of the Scheme have been complied with, the Scheme shall cease to exist.

5) TAX BENEFITS OF INVESTING IN THE MUTUAL FUND

TAX BENEFITS FOR EQUITY SCHEMES

(i) TO THE MUTUAL FUND

(A) The Fund is a Mutual Fund registered with the Securities and Exchange Board of India and hence, is eligible for the benefits of Section 10 (23D) of the Income-Tax Act, 1961. Accordingly, the entire income of the Fund is exempt from income tax.

1. As per section 196(iv) of the Income-tax Act, the income received by the Fund is not liable for deduction of tax at source under the provisions of Section 196 (iv), of the Act.
2. On income distribution, if any, made by the Mutual Fund, additional income tax is not payable under Section 115R of the Act, in the case of open ended equity oriented funds (i.e. where more than 65% of total proceeds of the mutual fund are invested in equity shares of domestic companies as defined in Section 115T of the Act)

a. Securities Transaction Tax (STT)

The Mutual Fund is liable to pay securities transaction tax (STT) at prescribed rates on the value of transactions of purchase or sale of specified securities. The rates of STT are:

Nature of transaction	Payable by	Value on which tax shall be levied	Existing tax rate
Delivery based purchase transaction in equity shares or units of equity oriented fund entered in a recognized stock exchange	Purchaser	Value at which shares / units are bought	0.125
Delivery based sale transaction in equity shares or units of equity oriented fund entered in a recognized stock exchange	Seller	Value at which shares / units are sold	0.125
Non -Delivery based sale transaction in equity shares or units of equity oriented fund entered in a recognized stock exchange	Seller	Value at which shares / units are sold	0.025
Transaction for Derivatives entered in a recognized stock exchange (Futures and options).	Seller	Futures: Value at which futures Are traded Options: Aggregate value of strike price and premium.	0.017
Sale of units of an equity oriented fund to the Seller	Seller	Value at which units are sold	0.25

For this purpose, an equity oriented fund. is defined to mean:

- a fund that invests at least 65 per cent of its investible funds in equity shares of domestic companies
- which has been set up under a scheme of mutual fund.

b. Income Distribution Tax: No income distribution tax is payable by the Fund, in respect of schemes in the nature of open equity oriented fund, in terms of section 115R of the Act, which deals with tax on income distributable to unitholders of mutual funds. The benefit of exemption from income distribution tax is extended to close ended equity oriented schemes.

Further, the above definition of an equity oriented fund would stand to mean a fund that invests at least 65 per cent of its investible funds in equity shares of domestic companies.

c. Service tax: The Mutual Fund is liable for payment of service tax as recipient of services on Business Auxiliary Service provided by distributors of mutual funds/ agents. The rate of service tax is 12.24 percent (tax rate of 12 percent plus education cess at 2 percent of the tax).

(ii) TO THE UNITHOLDERS

a. Tax on Income: In accordance with the provisions of section 10(35)(a) of the Act, income received by all categories of unit holders in respect of units of the Fund will be exempt from income-tax in their hands. Exemption from income tax under section 10(35) of the Act would, however, not apply to any income arising from the transfer of these units.

b. Tax on capital gains: As per the provisions of section 2(42A) of the Act, a unit of a Mutual Fund, held by the investor as a capital asset, is considered to be a short-term capital asset, if it is held for 12 months or less from the date of its acquisition by the unit holder. Accordingly, if the unit is held for a period of more than 12 months, it is treated as a long-term capital asset.

Computation of capital gain

Capital gains on transfer of units will be computed after taking into account the cost of their acquisition. While calculating long-term capital gains, such cost will be indexed by using the cost inflation index notified by the Government of India.

Long-term capital gains

As per Section 10(38) of the Act, long-term capital gains arising from the sale of unit of an equity oriented fund entered into in a recognised stock exchange or sale of such unit of an equity oriented fund to the mutual fund would be exempt from income-tax, provided such transaction of sale is chargeable to securities transaction tax.

However, companies would be required to include such long term capital gains in computing the book profits and minimum alternated tax liability under section 115JB of the Act.

Short -term capital gains

As per Section 111A of the Act, short-term capital gains from the sale of unit of an equity oriented fund entered into in a recognised stock exchange or sale of such unit of an equity oriented fund to the mutual fund would be taxed at 10 per cent, provided such transaction of sale is chargeable to securities transaction tax.

The said tax rate would be increased by a surcharge of:

- 10 per cent in case of non-corporate Unit holders, where the total income exceeds Rs.1,000,000,
- 10 per cent in case of resident corporate Unit holders, and
- 2.5 per cent in case of non-resident corporate unit holders irrespective of the amount of taxable income.

Further, an additional surcharge of 2 per cent by way of education cess would be charged on amount of tax inclusive of surcharge.

In case of resident individual, if the income from short term capital gains is less than the maximum amount not chargeable to tax, then there will be no tax payable.

Further, in case of individuals/HUFs, being residents, where the total income excluding short-term capital gains is below the maximum amount not chargeable to tax *** (for assessee women Rs.1,35,000 /-, for assessee senior citizens Rs.1,85,000 /- for other individuals and HUFs, Rs.1,00,000 /-) then the difference between the current maximum amount not chargeable to tax and total income excluding short-term capital gains, shall be adjusted from short-term capital gains. Therefore only the balance short term capital gains will be liable to income tax at the rate of 10 percent plus surcharge, if applicable and education cess.

Non-residents: In case of non-resident unit holder who is a resident of a country with which India has signed a Double Taxation Avoidance Agreement (which is in force) income tax is payable at the rates provided in the Act, as discussed above, or the rates provided in the such agreement, if any, whichever is more beneficial to such non-resident unit holder.

Investment by Minors: Where sale / repurchase is made during the minority of the child, tax will be levied on either of the parents, whose income is greater, where the said income is not covered by the exception in the proviso to section 64(1A) of the Act. When the child attains majority, such tax liability will be on the child.

Losses arising from sale of units

- As per the provisions of section 94(7) of the Act, loss arising on transfer of units, which are acquired within a period of three months prior to the record date (date fixed by the Fund for the purposes of entitlement of the unit holder to receive the income from units) and sold within a period of nine months after the record date, shall not be allowed to the extent of income distributed by the Fund in respect of such units. As per the provisions of section 94(8) of the Act, where any units (.original units.) are acquired within a period of three months prior to the record date (date fixed by the Fund for the purposes of entitlement of the unitholder to receive bonus units) and any bonus units are allotted (free of cost) based on the holding of the original units, the loss, if any, on sale of the original units within a period of nine months after the record date, shall be ignored in the computation of the unit holder's taxable income. Such loss will however, be deemed to be the cost of acquisition of the bonus units.
- Each Unit holder is advised to consult his / her or its own professional tax advisor before claiming set off of long-term capital loss arising on sale / repurchase of units of an equity oriented fund referred to above, against long-term capital gains arising on sale of other assets.
- Short-term capital loss suffered on sale / repurchase of units shall be available for set off against both long-term and short-term capital gains arising on sale of other assets and balance short-term capital loss shall be carried forward for set off against capital gains in subsequent years.
- Carry forward of losses is admissible maximum upto eight assessment years.

c. Tax withholding on capital gains

Capital gains arising to a unit holder on repurchase of units by the Fund should attract tax withholding as under:

- No tax needs to be withheld from capital gains arising to a FII on the basis of the provisions of section 196D of the Act.

- In case of non-resident unit holder who is a resident of a country with which India has signed a double taxation avoidance agreement (which is in force) the tax should be deducted at source under section 195 of the Act at the rate provided in the Finance Act of the relevant year or the rate provided in the said agreement, whichever is beneficial to such non-resident unit holder. However, such a non-resident unit holder will be required to provide appropriate documents to the Fund, to be entitled to the beneficial rate provided under such agreement.

- No tax needs to be withheld from capital gains arising to a resident unit holder on the basis of the Circular no. 715 dated 8 August 1995 issued by the CBDT.

Subject to the above, the provisions relating to tax with holding in respect of gains arising from the sale of units of the various schemes of the fund are as under:

- No tax is required to be withheld from long term capital gains arising from sale of units in equity oriented fund schemes, that are subject to securities transaction tax.
- In respect of short-term capital gains arising to foreign companies (including Overseas Corporate Bodies), the Fund is required to deduct tax at source at the rate of 10.46 per cent (10 per cent tax plus 2.5 per cent surcharge thereon plus additional surcharge of 2 per cent by way of education cess on the tax plus surcharge). In respect of short-term capital gains arising to non-resident individual unit holders, the Fund is required to deduct tax at source at the rate of 11.22 per cent (10 per cent tax plus 10 per cent surcharge thereon (assuming total income of the unit holder exceeding Rs. 10 lakhs in a year) plus** additional surcharge of 2 per cent by way of education cess on the tax plus surcharge).

d. Wealth Tax

Units held under the Schemes of the Fund are not treated as assets within the meaning of section 2(ea) of the Wealth Tax Act, 1957 and therefore, not liable to wealth-tax.

e. Securities Transaction Tax

Nature of transaction	Existing tax rate
Delivery based purchase transaction in equity shares or units of equity oriented fund entered in a recognized stock exchange	0.125
Delivery based sale transaction in equity shares or units of equity oriented fund entered in a recognized stock exchange	0.125
Non -Delivery based sale transaction in equity shares or units of equity oriented fund entered in a recognized stock exchange	0.025
Sale of units of an equity oriented fund to the Mutual Fund	0.25

Value of taxable securities transaction in case of units shall be the price at which such units are purchased or sold.

A deduction in respect of securities transaction tax paid is not permitted for the purpose of computation of business income or capital gains.

However, if the total income of an assessee includes any business income arising from taxable securities transactions, he shall be entitled to a rebate (Sec 88E of the Act) from income-tax of an amount equal to the securities transaction tax paid by him in respect of the taxable securities transactions entered during the course of his business.

f. Gift Tax Act: The Gift Tax Act, 1958, has ceased to apply to gifts made on or after 1st October 1998. Gifts of Units, purchased under the Plan, would therefore, be exempt from gift-tax.

a. **As per the Budget proposals 2007, the surcharge is applicable only if the income exceeds Rs.10,000,000;

b. *As per the Budget proposals 2007, the rate of an additional cess for Secondary and Higher Education at the rate of 1% is proposed to be levied.

As per the taxation laws in force as at the date of this Offer Document, the tax benefits that are available to the investors investing in the Units of the Scheme are stated herein above. The information so stated is based on the Mutual Fund's understanding of the tax laws in force as of the date of this Offer Document.

The information stated below is only for the purposes of providing general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view, of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Scheme.

XI. OTHER MATTERS

1) UNIT HOLDER GRIEVANCES REDRESSAL MECHANISM

Investors may contact the office of the AMC for any queries / clarifications. The Head Office of the AMC will follow up with the respective ISC to ensure timely redressal and prompt investor services. Shri M D Naik, Head - Investor Services can be contacted at the office of the AMC at 97-98 9th Floor Atlanta, Nariman Point, Mumbai –400021. Telephone nos. (022) 32424005/06. Fax no. (022) 66547855. E-mail: saharamutual@saharamutual.com.

The scheme –wise yearly data on complaints for the period 01/04/2003 to 31/10/2007 are as under :

Scheme-wise report for the period 01/04/2003 to 31/03/2004

Sr No	Scheme	No of complaints received	Redressed	Pending
1	Growth Fund	1	1	Nil
2	Income Fund	9	9	Nil
3	Liquid Fund	1	1	Nil
4	Short Term Plan	1	1	Nil
5	Tax gain Fund	1	1	Nil

Scheme –wise report for the period 01/04/2004 to 31/03/2005

Sr No	Scheme	No of complaints received	Redressed	Pending
1	Mid cap Fund	16	16	Nil

Scheme –wise report for the period 01/04/2005 to 31/03/2006

Sr No	Scheme	No of complaints received	Redressed	Pending
1	Mid cap Fund	25	25	Nil
2	Wealth Plus Fund	4	4	Nil

Scheme –wise report for the period 01/04/2006 to 31/03/2007

Sr No	Scheme	No of complaints received	Redressed	Pending
1	Sahara Income Fund	1	1	Nil
2	Sahara Tax Gain Fund *	1	1	Nil
3	Sahara Infrastructure Fund	1	1	Nil

* case referred by unit holder with a copy to SEBI has been resolved and reported to SEBI.

Scheme –wise report for the period 01/04/2007 to 30/09/2007

Sr No	Scheme	No of complaints received	Redressed	Pending
1	Mid cap Fund*	1	1	Nil
2	Wealth Plus Fund	1	1	Nil

* case referred by unit holder with a copy to AMFI has been resolved and reported to AMFI.

2. ASSOCIATE TRANSACTIONS

Investment in Group Companies –

As at October 31st, 2007 there are no investments made in any of the Group Companies of the Sponsor.

Underwriting Obligations with respect to issues of Associate Companies –

The AMC has, till date not entered into any Underwriting contracts in respect of any public issue made by any of its associate companies.

Subscription in issues lead managed by the Sponsor or any of its associates –

The Mutual Fund has not subscribed for allotments in any issues lead managed by the Sponsor or any of its associates.

Dealing with Associate Companies –

The AMC may, from time to time, for the purpose of conducting its normal business, use the services (including Brokerage services and securities transactions) of the Sponsor, subsidiaries, and group companies, associates of its Sponsor and their employees or relatives.

The AMC may utilize 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, in case such a company (including their employees or relatives) is in a position to provide the requisite services to the AMC. The AMC will 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, after evaluation of the competitiveness of the pricing offered by the Sponsor, associate companies (including their employees or relatives) and the services to be provided by them.

Associate transactions, if carried out, will be as per the SEBI Regulations and the limits prescribed there under. The Scheme(s) shall not make any investments in –

- any unlisted security of an associate or group company of the Sponsor; or
- any security issued by way of private placement by an associate or group company of the Sponsor; or
- the listed securities of group companies of the Sponsor, which is in excess of 25% of the net assets.

Brokerage paid to Associate. (for the period 01.04.2005 to 31.03.2006)

(in Rs. lakhs)

Particulars	Liquid Fund	Income Fund	Short Term Plan	Gilt Fund	Tax Gain Fund	Growth Fund	Midcap Fund	Wealth Plus
SIFCL A/c CMSD	5.13	1.06	0.08	6.08	1.23	1.27	1.40	36.46

For the period (01/04/2006 to 31/03/2007)

(in Rs.lakhs)

Liquid Fund	Income Fund	Gilt Fund	Tax Gain Fund	Growth Fund	Midcap Fund	Wealth Plus Fund	Infrastructure Fund	FMP

0.57	0.22	0.02	0.93	0.22	0.76	3.93	3.58	0.23
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For the period April 07- September 2007.							(in Rs. lakhs)
Liquid Fund	Income Fund	Tax Gain Fund	Growth Fund	Midcap Fund	Wealth Plus Fund	Infrastructure Fund	
0.46	0.23	0.24	0.30	0.78	1.66	1.40	

The payment is towards distribution expenses for sale of units of schemes of the mutual fund.

SAHARA ASSET MANAGEMENT BRANCHES TO ACT AS INVESTOR SERVICE / DISTRIBUTION CENTRES

The AMC will avail the services of the Sponsor / and its associates for client servicing and for usage of designated branches as Investor Service Centers and also to act as collection and distribution agents. The Sponsor / and its associates shall be paid a fee, which may be higher than the market rates due to the superior quality of services rendered and prime locations of the ISCs. These fees shall be debited to the Scheme, subject to SEBI Regulations.

The following has been the investments as per regulations 25(11) of the SEBI (Mutual Fund) Regulations, 1996 as on September 30, 2007 (as published in half yearly results)

Company which has invested	Schemes in which companies have invested more than 5 % of the net assets	Name of the Funds/Schemes which have invested	Aggregate cost of acquisition during the period	Outstanding as at Sept 30, 2007
Berger Paints	FMP 3 months	Sahara Growth Fund	50.00	Nil
		Sahara Liquid Fund	7485.00	100.00
		Sahara Wealth Plus Fund	100.00	Nil
Sterlite Optical Technologies Ltd	FMP 3 months	Sahara Liquid Fund	200.00	200.00

3) BORROWING BY THE MUTUAL FUND

Under the SEBI Regulations, the Mutual Fund is allowed to borrow to meet the temporary liquidity requirements of its Scheme for the purpose of Repurchase or Redemption of Units or the payment of interest or dividend to the Unit holders. Further, as per the SEBI Regulations, the Mutual 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 six months.

The Mutual Fund may raise such borrowings, after approval by the Trustee, from Sponsor or any of its Associate / Group Companies or Banks in India or any other entity at market related rates prevailing at the time and applicable to similar borrowings. The security for such borrowings, if required, will be as determined by the Trustee. Such borrowings, if raised, may result in a cost, which would be dealt with in consultation with the Trustee.

4) UNDERWRITING BY THE MUTUAL FUND

Subject to SEBI Regulations, the Scheme may enter into underwriting agreements after the Mutual Fund obtains a certificate of registration in terms of the Securities and Exchange Board of India (Underwriters) Rules, 1993 and Securities and Exchange Board of India (Underwriters) Regulations, 1993 authorizing it to carry on activities as underwriters. The capital adequacy norms for the purpose of underwriting shall be the net assets of the Scheme and the underwriting obligation of the Scheme shall not at any time exceed the total net asset value of the Scheme.

5) INTER SCHEME TRANSFERS

Transfer of investments from one scheme to another scheme under the Mutual Fund, shall be allowed only if:

1. such transfers are made at the prevailing market price for quoted Securities on spot basis.
Explanation: Spot basis shall have the same meaning as specified by Stock Exchange for spot transactions.
2. the Securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.

6) DIVIDENDS & DISTRIBUTIONS

As disclosed in this Offer Document, the Trustee proposes to adopt the following dividend distribution policy:

- Under the Dividend Option, it is proposed to declare dividends at an appropriate time, subject to availability of distributable profits, as computed in accordance with SEBI Regulations. Further, the Trustee at its sole discretion may also declare interim dividends.
- Dividends, if any, declared would be paid to those Unit holders whose names appear in the Register of Unit holders on the Record Date. The actual date for declaration of dividend will be notified by a suitable display at the Investor Service Centers. Unit holders are entitled to receive dividend within 30 days of the date of declaration of the dividend.
- It must be distinctly understood that the actual declaration of dividend and the frequency thereof will inter-alia, depend on the availability of distributable profits as computed in accordance with SEBI Regulations. Without prejudice to the above discretion and rights of the Trustees, dividend is proposed to be declared one working day before the Maturity date of the plan. The decision of the Trustee in this regard shall be final. There is no assurance or guarantee to Unit holders as to the rate of dividend distribution nor that dividends will be paid regularly.
- The AMC may announce a book closure period for the purpose of making the dividend payment.

UNCLAIMED REDEMPTION / DIVIDEND

Unclaimed Redemption and Dividend during the period ended September 30, 2007 are as below:

Scheme Name	No of Investors	Unclaimed Dividend (Rs)	No of Investors	Unclaimed Redemption (Rs)
Sahara Growth Fund	3	5,258.58	2	11,345.56
Sahara Income Fund	17	11,286.22	8	36,862.60
Sahara Infrastructure Fund			11	41,297.83
Sahara Midcap Fund			27	95,992.50
Sahara Tax Gain Fund	22	9,555.03	0	0.00
Sahara Wealth Plus Fund			29	322,162.05

7) POWERS TO REMOVE DIFFICULTIES

If any difficulty arises in giving effect to the provisions of the Scheme, the Trustees may take such steps that are not inconsistent with these provisions, which appear to them to be necessary and expedient, for the purpose of removing difficulties.

8) POWERS TO MAKE RULES

The AMC may from time to time prescribe such forms and make such rules for the purpose of giving effect to the provisions of the Scheme, and add to, alter or amend all or any of the forms and rules that may be framed from time to time.

9) POLICY ON OFFSHORE INVESTMENTS BY THE SCHEME

At present the scheme does not intend to invest in foreign securities. As and when the scheme decides to invest in foreign securities, it would be in line with applicable SEBI guidelines.

10) STOCK LENDING BY THE MUTUAL FUND

The Fund may enter into securities lending agreements in respect of upto 50% of the total net assets of the Scheme. The Fund may enter into an agreement with the “approved intermediary” for depositing the securities for the purpose of lending through the “approved intermediary” on satisfactory terms as to security. The total obligation / exposures as regards depositing of securities for the purpose of lending through any one single “approved intermediary” shall not exceed 50% of the total net asset value of the Scheme. Collateral must be obtained by the “approved intermediary” for the lending transaction and this collateral must exceed in value, the value of the guarantee, Government Securities or Certificate of Deposits or other securities lent. The collateral can be in the form of cash, bank guarantee, Government Securities or Certificate of Deposits or other securities as may be agreed upon with the “approved intermediary” Securities lending may be undertaken by Mutual Funds as “lender” as per the Securities Lending Scheme, 1997, in accordance with Regulation 44(4) of SEBI (Mutual Funds) Regulations, 1996. for potential risks please refer to clause on “Securities lending risk” under Risk factors.

11) PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATION FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY.

(i) 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 manager) of the Asset Management Company and Trustee Company. The nature of the penalty must be disclosed. For Sponsor and its associates, other than the penalties as mentioned above, the penalties awarded by any financial regulatory body, including stock exchanges, for defaults in respect of shareholders, debenture holders and depositors shall also be disclosed. Additionally, penalties awarded for any economic offence and violation of any securities laws shall be disclosed.

SEBI had initiated adjudication proceeding under the section 15D(b) of section 15E of SEBI Act, 1992 against the Asset Management company and the Mutual Fund for contravention of Regulations 44(1) read with clause 1 of 7th Schedule of SEBI (Mutual Funds) Regulations 1996 by the Sahara Asset Management P Ltd. The main issue was that in Sahara Income Fund its investments in debentures of HDFC Ltd., was beyond the permissible limits as stipulated under Regulations 44(1) read with clause 1 of 7th schedule of SEBI (Mutual Funds) Regulations, 1996 during the period from February 14, 2002 to April 07, 2002.

Based on the adjudication proceedings and vide the order dated October 4, 2002 a penalty of three lakhs was imposed on Sahara Asset Management (P) Ltd., and a penalty of Rs.One Lakh on Sahara Mutual Fund.

The Asset Management company has paid the aggregate amount of Rs.four Lakhs to SEBI. The above said violation has since been rectified and the compliance monitoring, systems and process within the Mutual Fund have been strengthened to prevent such violations in the future.

(ii) 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 of the Mutual Fund in any capacity including the AMC, Board of Trustees or any of the directors or key personnel is a party. Any pending criminal cases against the Sponsor in any capacity with the Sponsor in any capacity including the AMC, Board of Trustees or any of the Directors or key personnel.

There are 208 cases on Sahara India Financial Corporation Limited (Formerly Sahara India Savings & Investment Corporation Limited) up to 30th June 2006. These cases are on various deposit schemes of the company. These cases are pending before the High Court/Civil Court (amounting to Rs.2, 98, 77,757/-) Consumer Forum** (amounting to Rs.1,17,74,601/-) State Commission/ National Commission (Amounting to Rs.15,62,16,232/-). All the cases are pending as on 30.06.2006.

** includes cases before MACT, Kanpur , Jaipur , Jodhpur , Hyderabad, Ranchi, Guwahati, Baroda .

However, the cases will not have any bearing on the AMC/ SMF, a unit holder of SMF.

(iii) Any deficiency in the systems and operations of the Sponsor of the Mutual Fund or any company associated with the Sponsor in any capacity such as the AMC which SEBI has specifically advised to be disclosed in the Offer Document, or which has been notified by any other regulatory agency.

We confirm that no deficiencies in the systems and operations have so far been notified by SEBI and advised to be disclosed in the Offer Document.

(iv) An enquiry/adjudication proceedings under the SEBI Act, and the Regulations made there under, 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 or any of the Directors or Key Personnel of the AMC.

We confirm that no enquiry or adjudication proceedings under the SEBI Act and the Regulations made there under is pending against the Sponsor.

12. POLICY ON INVESTMENTS OUTSIDE INDIA BY THE SCHEME

The Scheme may invest in foreign equity and equity related securities, ADR / GDR up to 20% of the corpus in accordance with guidelines stipulated in this regard by SEBI and RBI from time to time.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected during Business Hours on any Business Day at the registered office of the AMC.

1. Trust Deed;
2. Investment Management Agreement;
3. Custodian Agreement;
4. Registrars Agreement;
5. Memorandum and Articles of Association of the AMC;
6. Securities and Exchange Board of India (Mutual Funds) Regulations, 1996;
7. Consent of the Auditors to act in the said capacity; and
8. Registration Certificate for the Mutual Fund granted by SEBI.
9. Annual Report of the Asset Management Company.

Notes:

1. Further, any amendments / replacement / re-enactment of SEBI Regulations subsequent to the date of the Offer Document shall prevail over those specified in this Offer Document.
2. The Trustees have ensured that Sahara Power Fund approved by them is a new product offered by Sahara Mutual Fund and is not a minor modification of the existing scheme/ fund/ product.
3. The Scheme under this Offer Document was approved by the Trustees in the meeting held on September 24th, 2007.
4. Notwithstanding anything contained in the Offer Document, the provisions of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.

For and on behalf of the Board of Directors of
Sahara Asset Management Company Private Limited

Sd/-
Naresh Kumar Garg
Principal Officer

Place: Mumbai
Date:- November 28, 2007

14. LIST OF SAHARA ASSET MANAGEMENT BRANCHES:

Ahmedabad : No 303 , 3rd Floor, Sakar 5,1, Behind Natraj Theatre, Ashram Road, Ahmedabad - 380009. **Bangalore**: No S - 202, Manipal Centre, No. 47, Dickenson Road, 78th. Municipal Division, Bangalore – 560042. **Bhubaneshwar**: c/o Sahara India Parivar, Plot No - B61 -A&B, Rupali Square, Shahid Nagar ,Bhubaneshwar – 751007. **Chennai**: **Office** no J, Mount Chambers,, Chennai 600034. **Coimbatore** : Gowtham Arcade, 3rd Floor, 208, TV Swami Road (East), R.S Puram, Coimbatore 641002. **Chandigarh** : 3rd Floor, SCO. No 154 -155, Deepak Towers, Sectors - 17 C. Chandigarh 160017. **Hyderabad**: Sahara Manzil , 2 nd Floor, Opp Secretariat, Bashir Baug ,Hyderabad 500004. **Indore** : 125, Bansi Trade Center, 1st Floor, 581, M G Road, Indore 452002. **Jaipur** : Office No. 322, 3rd Floor, Ganpati Plaza, Mi Road , Jaipur 302001. **Kolkata** : Lords, 3rd Floor, Room No 310, 7\1 Lord Sinha Road, Kolkatta – 700071. **Lucknow**: Office No. 8. Grd Floor. Saran Chamber no .1, 5 th Park Road, Lucknow 01. **Mumbai** : 97-98, 9th Floor, Atlanta, Nariman Point . Mumbai 21. **New Delhi** : F-56 Himalaya House, 5th floor ,23.K. G. Mrg. New Delhi 110001 **Patna** : Sahara India Vihar, Boring Rd Chauraha, Boring Rd, Patna – 800001. **Pune**: Office no -71, 3rd, floor .Shrinath Plaza, Dyneshwar Paduka Chowk, S. V Road. Pune- 411005.

REGISTRAR AND TRANSFER AGENT :

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