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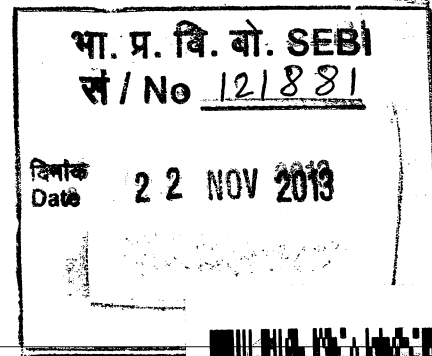
Date: 22<sup>nd</sup> November 2013

To

Investment Management Department  
T&A Division,

The Securities and Exchange Board of India

SEBI Bhavan, Plot No. C4 / A  
G Block, Bandra Kurla Complex  
Bandra (E), Mumbai 400 051



SEBI/IW/P/20131123/0000121881

Kind Attn: Ms. Nila Khanolkar ✓

Dear Madam

**Re: Request for interpretation under SEBI (Informal Guidance) Scheme, 2003 ("Informal Guidance Scheme") in connection with SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations")**

This is a request for interpretation under Informal Guidance Scheme. Accordingly, please find enclosed a bank demand draft No. 012079 dated 21<sup>st</sup> November 2013 for Rs. 25,000/- towards application fees, favoring "SEBI" payable Mumbai.

**Factual and Legal Background:**

India Realty Excellence Fund II LLP ("**Fund**"), is registered with SEBI as alternative investment fund category-II (registration number IN/AIF2/13-14/0085) under SEBI AIF Regulations.

After the said registration, the Fund now intends to accept capital commitments from eligible investors at different closings and make investment in various portfolio companies as per Fund's investment strategy. The targeted corpus of the Fund is Rs 300 crores with a green shoe option of Rs 200 crores. The Fund may achieve the targeted corpus at the final closing.

*N. Khanolkar*

The Fund may make investments in portfolio companies immediately on the initial closing. The Fund has set out the investment limits in its private placement memorandum. The investment limits, inter alia, includes the condition that investment of the Fund in any Portfolio Company shall not exceed 25% of the aggregate capital commitments which is in line with Regulation 15 (c) of AIF Regulation. The Fund shall comply with investment conditions applicable to the alternative investment fund more specifically conditions mentioned in Regulation 15(c) and Regulation 17(a) of the AIF Regulations.

We have provided below relevant regulations and our understanding of the said regulations.

**Relevant Regulations:**

1) Regulation 15 of AIF Regulation on 'General Investment Conditions'

*"Investments by all categories of Alternative Investment Funds shall be subject to the following conditions*

*(a) .....*

*(c) Category I and II Alternative Investment Funds shall invest not more than twenty five percent of the investible funds in one Investee Company;*

*(d) ....."*

As per this Regulation 15 (c) of AIF Regulation, Category I and II AIF shall invest not more than twenty five percent of the "investible funds" in one Investee Company.

Regulation 2 (1) (p) and Regulation 2 (1) (h) of the AIF regulations define 'investible funds' and 'corpus' respectively as follows:

*"investible funds" means corpus of the AIF net of estimated expenditure for administration and management of the fund.*

*"corpus" means the total amount of funds committed by investors to the AIF by way of a written contract or any such document as on a particular date;*

2) Regulation 17 of the AIF Regulation 'Conditions for Category II Alternative Investment Funds'



*"The following investment conditions shall apply to Category II Alternative Investment Funds:-*

*(a) Category II Alternative Investment Funds shall invest primarily in unlisted investee companies or in units of other Alternative Investment Funds as may be specified in the placement memorandum;*

*(b)....." (Emphasis in underline is supplied)*

3) SEBI (Venture Capital Funds) Regulations, 1996

The SEBI (Venture Capital Funds) Regulations, 1996 ("VCF Regulations") also provide for the investment conditions and restrictions on the venture capital funds ("VCF"). Amongst other conditions, Regulation 12 of the VCF Regulations, provides for limits on permissible investment out of investible fund of such VCFs, in listed, unlisted, debt, preferential investments. However, an explanation is provided to the said Regulation that clarifies that, such investment conditions and restrictions shall be achieved by the VCFs by the end of life cycle of the VCFs.

4) Motilal Oswal Securities Limited's capital commitment

Further Motilal Oswal Securities Limited ("MOSL" Sponsor Partner of the Fund) has committed 20% of the size of the Fund (i.e. Rs 300 crores plus green shoe of Rs 200 crores) subject to minimum commitment of Rs 50 crores and maximum commitment of Rs 100 crores.

5) Our Understanding

We submit that if the Fund considers only the investible funds for the purpose of investment limits, while making investments immediately on initial closing, the size of investments could be significantly less. We believe that the intent of the investment limits set out in Regulation 15(c) of the AIF Regulations is to ensure that the Fund will make at least four investments for the risk diversification and at the same time to facilitate the appropriate size of investment out of the investible funds of the alternate investment funds. We also believe that the intent of Regulation 17(a) of the AIF Regulations is to ensure that the Fund will invest major portion of its investible funds in unlisted investee companies.

*Vefar*

**Informal Guidance:**

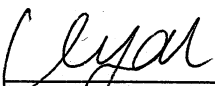
In light of the above legal and factual background and relevant regulations we request you to issue an interpretation letter under Informal Guidance Scheme in relation to AIF Regulations on the following queries.

- I. In terms of Regulation 15(c) of the AIF Regulations and the related definitions stated in point (1) above, whether the above referred investment limit of 25% of the investible funds is to be complied with at the time of final close of the Fund or at the time of each investment by the Fund?
- II. In terms of Regulation 17(a) of the AIF Regulations stated in point (2) above, whether the word 'primarily' appearing therein shall be construed as "75%" or "66.67%" or "51%" of the 'investible funds' of the Fund?
- III. Whether the above investment limit of 25% of the investible funds referred in (I) and the limit of investment amount primarily in unlisted securities referred in (II) above could be achieved by the Fund by the end of life cycle of the Fund as in the case of VCFs as set out in the explanation to Regulation 12 of the VCF Regulations?
- IV. For calculation of the 'investible funds' of the Fund, should we consider MOSL's commitment to be Rs 100 crores (maximum commitment) or Rs 50 crores (minimum commitment) or Rs.60 crores i.e 20% of the Fund size without green shoe option (i.e. Rs 300 crores)?

In terms of clause 11 of the SEBI (Informal Guidance) Scheme, 2003, we hereby request that this application receives confidential treatment since the Fund is in the fund raising mode and facts contained in this letter are not available to the public at large.

We hope you will find the same in order. Please let us know if you require any additional information.

Yours truly

  
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For and on behalf of the Applicant

**Managing Partner – Motilal Oswal Real Estate Investment Advisors Private Limited**