



August 3, 2018

The Corporate Finance Department
Division of Issues and Listing,
Securities and Exchange Board of India (SEBI),
SEBI Bhavan, Plot No. C4-A, "G" Block,
Bandra Kurla Complex, Bandra (East).
Mumbai – 400051

Attn: Mr. Jayanta Jash, Chief General Manager

Dear Sir/Madam,

Sub: Request for Interpretative Letter under the Securities and Exchange Board of India (Informal Guidance) Scheme 2003 as amended from time to time (Informal Guidance Scheme)

Reg : Lock in requirement applicable to pre-IPO allotment to Alternative Investment Funds under Regulation 37 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Dear Sir,

1 BACKGROUND

- 1.1 IIFL Private Equity Fund ("Trust") is an irrevocable, determinate and non-discretionary trust settled under the provisions of the Indian Trust Act, 1882. IIFL Holdings Limited ("IIFHL") is the Settlor and Sponsor of the Trust;
- 1.2 Trust is an umbrella trust having various schemes with IIFL Trustee Limited as the Trustee and IIFL Asset Management Limited as the investment manager to the Trust and all its schemes.
- 1.3 The Trust is registered with Securities and Exchange Board of India ("SEBI") as a Category II Alternative Investment Fund in accordance with the SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations), bearing registration no. IN/AIF2/12-13/0015.
- 1.4 IIFL Special Opportunities Fund (IIFL SOF) and its further series i.e. IIFL Special Opportunities Fund – Series 2 (IIFL SOF2), IIFL Special Opportunities Fund – Series 3 (IIFL SOF3), IIFL Special Opportunities Fund - Series 4 (IIFL SOF4), IIFL Special Opportunities Fund – Series 5 (IIFL SOF5), and IIFL Special Opportunities Fund – Series 7 (IIFL SOF7), are schemes launched under the Trust. [the Schemes are together referred to as "the Schemes"].

IIFL ASSET MANAGEMENT LIMITED
(FORMERLY KNOWN AS INDIA INFOLINE ASSET MANAGEMENT COMPANY LIMITED)

Corporate & Registered Office:
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Lower Parel, Mumbai – 400 013
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2 INVESTMENT OBJECTIVE & STRATEGY OF THE SCHEMES

- 2.1 The investment objective of the Schemes as stated in the Private Placement Memorandum (PPM) is to generate long term capital appreciation by primarily investing in a portfolio of equity and equity related securities of Companies which are in Pre-IPO stage or have launched IPO;
- 2.2 The Schemes have together raised a total commitment of over INR 7,600 Cr from around 4300 investors, since the launch of its first series in March' 2017.
- 2.3 The Schemes have invested over Rs. 4,000 Cr (Indian Rupees Four Thousand Crores) across various securities over the period and in accordance with its strategy invested in various unlisted Pre-IPO opportunities.

3 FACTS

- 3.1 As part of its investments, IIFL Special Opportunities Fund (the Purchaser), pursuant to its evaluation and negotiation during March to June' 2017, finalized and made investment in equity shares of M/s ICICI Lombard General Insurance Company Limited (ICICI Lombard) on July 7, 2017.

Sequence of events from the date of investment by the Purchaser till the date of IPO allotment is as entailed here below:

Sr.No.	Date	Action
1.	March to June' 2017	Due diligence, Evaluation, negotiation for investments (including regulatory approvals)
2.	July 7, 2017	IIFL Special Opportunities Fund acquires 72,11,596 equity shares of ICICI Lombard.
3.	September 11, 2017	ICICI Lombard files its RHP with ROC
4.	September 15 to September 19, 2017	IPO of ICICI Lombard
5.	October 23, 2017	Allotment of shares in IPO by ICICI Lombard
6.	October 24, 2017 to October 23, 2018	Lock in made by ICICI Lombard on Purchaser for Pre-IPO investments.

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4 REGULATORY PROVISIONS & DISLCOSURES IN RHP

- 4.1 Regulation 37 titled "Lock in of specified securities held by persons other than promoters" of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009 [referred as 'SEBI (ICDR) regulations'] provides as under:

"In case of an Initial public offer, the entire pre-issue capital held by persons other than promoters shall be locked -in for a period of one year –

Provided that nothing contained in this regulation shall apply to :

- (a)
- (b) *Equity shares held by a venture capital fund or alternative investment fund of category I or category II or a foreign venture capital investor:*

Provided that such equity shares shall be locked in for a period of atleast one year from the date of purchase by the venture capital fund or alternative investment fund or foreign venture capital investor."

- 4.2 Category II Alternative Investment Fund Scheme was inserted in the SEBI (ICDR) regulations with effect from July 31, 2017 for RHPs registered with the Registrar of Companies on or after July 31, 2017.

5 APPLICABILITY OF THE RELEVANT PROVISIONS

- 5.1 In terms of Regulation 37 of SEBI (ICDR) Regulations, the entire Pre-Issue capital held by persons other than promoters are locked in for a period of one year from the date of allotment of the specified securities in the IPO.
- 5.2 However as an exception to the above, Alternative Investment Fund (AIF) Category I & II are provided as an eligible category of investors for whom lock in period of one year is provided from the date of investment/purchase. This is understood to more so as the AIFs are pooled investment vehicle and regulated under SEBI (Alternative Investment Fund) Regulations and the AIFs make investment or disinvestment decision after due evaluation of the investment opportunity and in the interest of the investors of the AIF as per SEBI (AIF) Regulations.
- 5.3 Keeping in view the above, SEBI through its amendment on May 31, 2017, extended the benefit available to Category I AIF and FVCI additionally to Category II AIF Scheme and brought amendment to the SEBI (ICDR) Regulations. Vide the said amendment Category II AIF schemes were also provided the benefit

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of lock-in from the date of investment by the AIFs as against the lock in from the date of allotment in IPO as applicable to the other investors.

- 5.4 Accordingly, the Purchaser being a Category II Alternative Investment Fund and the investment been made well prior to IPO, the lock in period of one year should commence from date of investment i.e. July 7, 2017 and conclude on July 6, 2018 i.e. one year from the date of purchase.
- 5.5 However, we have been given to understand from National Stock Exchange (NSE) & Bombay Stock Exchange (BSE) that lock-in period of one year in ICICI Lombard, IPO has been applied on the Purchaser from the date of IPO allotment i.e. October 23, 2017 instead of actual date of investment by the Purchaser i.e. July 7, 2017, based on their own interpretations which is not in accordance with the Regulation 37 of ICDR nor keeping in view the spirit of the same.
- 5.6 The AIF schemes are invested in unlisted companies well before the IPO at various timings and further application of lock-in period of one year from date of allotment in IPO instead of actual date of investment by AIF, jeopardises the interest of the investors and detrimental to AIF investments in unlisted companies as also against the spirit of regulation 37 of SEBI ICDR Regulations. As a result, the investment made by the purchaser is locked in for period of 17 months.
- 5.7 Diverse practice are observed in the applicability of such lock in period in similar AIF investments in other IPO companies, as in many IPOs the lock in is made applicable from the date of investment by AIFs, which reflects inconsistent practices prevailing in the actual application of lock in provision.

6 GUIDANCE SOUGHT

In view of the submissions made in Para 5 above, we request clarification / guidance from SEBI on the implementation / applicability of lock-in period as per Regulation 37 of SEBI (ICDR) regulations, under the Informal Guidance Scheme by way of an interpretative letter as to:

- i) When does the lock-in period of one year for investments made by Category I & II Alternative Investment Fund (AIF) schemes commence in case of investment by such AIF Schemes before the IPO of Companies i.e. is it from the date of purchase or from the date of IPO allotment

7 FEES & CONFIDENTIALITY

A demand draft dated July 26, 2018 of Rs.25000 drawn on "Securities and Exchange Board of India" bearing no. 777586 is enclosed herewith towards fees for seeking informal guidance.

Further, in accordance with clause 11(a) of Informal Guidance Scheme, we wish to seek confidential treatment of this letter submitted for a period of 90 days from the date of receipt of response from SEBI. The request for confidentiality has been sought as the Purchaser is an Alternative Investment Fund which is a privately placed scheme. The clarification is being sought specific to an investment and the events thereunder. Since the said

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instance is not in public domain currently making it available in public domain immediately may be detrimental to the other pre-IPO investments made by other AIFs and the Purchaser.

We would be pleased to furnish any additional information or documents that may be required by SEBI in this regard.

Any request for further information or other correspondence may be addressed to the following:

Ms. Leelavathi Naidu,
Compliance Officer
IIFL Asset Management Limited,
IIFL Centre, Kamala City, Senapati Bapat Marg,
Lower Parel, Mumbai – 400 013, India,
Telephone No. +91 22 3958 5448,
Mobile No. 7738000972,
E-mail id – Leelavathi.Naidu@iiflw.com

Thanking you and Yours Sincerely

**For IIFL Special Opportunities Fund and its Series
(represented by IIFL Asset Management Limited)**

**R. Leelavathi Naidu
Compliance Officer**



Encl: A/a

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