



**KellyGamma  
Advisors LLP**

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3 August 2018

To,  
Securities and Exchange Board of India,  
SEBI Bhavan,  
C4-A, G Block, Bandra Kurla Complex,  
Mumbai – 400 051,  
India

**Sub: Request for informal guidance by way of an interpretive letter under Securities and Exchange Board of India (SEBI) (Informal Guidance) Scheme, 2003 by KellyGamma Advisors LLP (on behalf of KellyGamma Fund One) on the applicability of SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations)**

KellyGamma Fund One is a first scheme of KellyGamma Fund, registered with the SEBI as a Category III Alternative Investment Fund (AIF).

KellyGamma Advisors LLP is a sponsor and an investment manager of KellyGamma Fund.

KellyGamma Advisors LLP (on behalf of KellyGamma Fund One) would like to seek clarification with respect to Regulation 15(1)(d) of the AIF Regulations and hence is making this application for seeking an informal guidance by way of an interpretive letter under the SEBI (Informal Guidance) Scheme, 2003 (Scheme). The relevant facts and the extracts of the applicable provisions of AIF Regulations, are summarized as under, for your reference and kind consideration.

**Facts:**

Corpus of KellyGamma Fund One is INR 20 crore. KellyGamma Fund One invested INR 2 crore in Company A in Year 1 and INR 6 crore in other companies. No individual investment is larger than INR 2 crore. Balance INR 12 crore is lying in the Bank account of KellyGamma Fund One.

KellyGamma Fund One sold 75% stake in Company A (purchase cost being INR 1.5 crore) over a period of 2 years i.e. in Year 2 and in Year 3, for INR 4 crore.

**As a result of this, at the end of Year 3:**

Balance in the Bank account of a KellyGamma Fund One (including sale proceeds of INR 4 crore).	INR 16 crore
<b>Invested portfolio:</b>	
Investment in Company A	INR 0.5 crore (market value INR 1 crore)
Investment in other companies	INR 6 crore (market value INR 9 crore)
Total portfolio of investments	INR 6.5 crore (market value INR 10 crore)
Total assets under management (Balance lying in Bank account plus market value of total investment)	INR 26 crore



# KellyGamma

## Advisors LLP

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### Query:

What is the maximum amount of investment that KellyGamma Fund One can make in Year 4 in any portfolio companies (including existing portfolio companies)?

### AIF Regulations:

- As per Regulation 15(1)(d) of the AIF Regulations, Category III AIF shall invest not more than ten percent of the **investible funds** in one investee company.
- As per Regulation 2(1)(p) of the AIF Regulations, 'investible funds' means **corpus** of the AIF net of estimated expenditure for administration and management of the fund.
- As per Regulation 2(1)(h) of the AIF Regulations, 'Corpus' means the total amount of funds committed by investors to the AIF by way of written contract or any such document as on a particular date.

### Clarifications sought:

Whether KellyGamma Fund One can invest in any portfolio companies (including existing portfolio companies), in Year 4, up to ten percent of INR 26 crore (being balance lying in the Bank account of INR 16 crore plus total market value of invested portfolio of INR 10 crore), INR 22.5 crore (being balance lying in the Bank account of INR 16 crore plus total cost of invested portfolio of INR 6.5 crore) or INR 20 crore (being total amount of funds committed by the investors by way of a contribution agreement), in light of Regulation 15(1)(d) of the AIF Regulations?

KellyGamma Fund One requests the SEBI to provide guidance on the interpretation of the term 'investible funds' i.e. whether 'investible funds' referred into Regulation 15(1)(d) of the AIF Regulations shall be construed strictly to mean total amount of funds committed by the investors by way of a contribution agreement or shall be construed to mean total amount of funds committed by the investors by way of a contribution agreement plus realized and unrealized gains from investments made?

Where the term 'investible funds' is construed strictly to mean total amount of funds committed by the investors by way of a contribution agreement, KellyGamma Fund One cannot invest more than ten percent of INR 20 crore in any portfolio companies. This restricts KellyGamma Fund One from generating better returns for its investors, in the given facts, by making further investment in Company A [i.e. an investment up to INR 2.6 crore (being ten percent of INR 26 crore)/ INR 2.25 crore (being ten percent of INR 22.5 crore)], in Year 4, when liquidation of 75% stake by the end of Year 3 has yielded, a gain of INR 2.5 crore, resulting in increase in corpus as mentioned above.

In line with the requirements of the Scheme, KellyGamma Advisors LLP has attached with this application, a demand draft of INR 25,000 drawn on Kotak Mahindra Bank, Ahmedabad - Prahladnagar Branch dated 03.08.2018 and in favour of the SEBI, towards application fees.

  




**KellyGamma**  
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If you need any further assistance or need any further clarification, please do not hesitate to reach out to Rakesh Parikh on +91 99095 13229 or [rakesh@kellygamma.com](mailto:rakesh@kellygamma.com).

Thanking you,

**For and on behalf of KellyGamma Advisors LLP**

*Sharvil Parikh*

**Authorized Signatory**





Fri 09/11/2018

Rakesh Parikh <rakesh@kellygamma.com>

Informal guidance application

To

Cc

Hi

The required information are as under:

**Corpus of KellyGamma Fund One:** ₹ 22 crore

**Investible funds:** ₹ 21.75 crore

**Estimated expenditure on administration and management of KellyGamma Fund One:** Management fee of 2% as per Private Placement Memorandum of approximately ₹ 40 lakhs and other expenses of approximately ₹ 2 to 5 lakhs.

Regards,  
Rakesh Parikh  
Financial Officer  
KellyGamma Fund One

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**From:**  
**Sent:**  
**To:** 'rakesh@kellygamma.com'  
**Cc:**  
**Subject:** Ref: Informal guidance application

Sir

This is in reference to your request for informal guidance dated August 03, 2018.  
Kindly provide the following data

Refer to Securities and Exchange Board Of India (Alternative Investment Funds) Regulations, 2012

1. As per Regulation 2(1)(h) "corpus" means the total amount of funds committed by investors to the Alternative Investment Fund by way of a written contract or any such document as on a particular date
  - a. Provide corpus of the fund as on date of final close
2. As per Regulation 2(1)(p) "investible funds" means corpus of the Alternative Investment Fund net of estimated expenditure for administration and management of the fund
  - a. Provide investible funds and estimated expenditure for administration and management of the fund as on date of final close