
From: Mangalkari Asset Investment AIF <aif@mangalkari.in>
Sent: 31/10/2023 14:37
To: pradip.kumar@kpmg.com
Subject: RE: Request for Informal Guidance by Mangalkari Asset investment AIF

Dear Sir,

This is in reference to our letters dated 18th June, 2023 and 11th October, 2023 seeking clarification under Securities and Exchange Board of India (Informal Guidance Scheme), 2003 in connection with Securities and Exchange Board of India (Alternative Investment Fund) Regulation, 2015.

In this respect, please note that we wish to withdraw Query No. 2 and with respect to Clause 11.a of Securities and Exchange Board of India (Informal Guidance Scheme), 2003, we wish to opt for the confidentiality clause of 90 days.

We hope you will find the above in order.

Thanking you.
Yours truly,

For Mangalkari Asset Investment AIF

Pradip Kumar Agarwal
Key Investment Team Member
& Authorised Signatory

11th October, 2023

To
The Chief General Manager
Investment Management Department
Division of Fund-I
Securities and Exchange Board of India
SEBI Bhawan, CA-4-A, G Block,
Bandra Kurla Complex,
Bandra E, Mumbai-400051

Sub: Request for clarification in respect to ~~Securities and Exchange Board of India (Informal Guidance) Scheme, 2003~~ in connection with Securities and Exchange Board of India (Alternative Investment Fund) Regulation 2012

Dear Sir/Madam,

Kindly refer to your email dated 13.09.2023 and subsequent discussion on both the queries requested for clarification on 18.06.2023. In the matter as discussed please note that

Query number -2

In furtherance our query, we state that as advised by you we shall amend the respective clause wherever it appear in the PPM so as to state: "Investment will be done by the AIF in Portfolio Companies or in Securities Receipt issued by the ARC/Trust" replacing the statement "Investment will be done by the AIF through Portfolio Companies or in Securities Receipt issued by the ARC/Trust."

Query number-1

Asset Reconstruction Companies (ARC) acquires stressed loan accounts along with underlying mortgaged assets and collateral securities (NPA Loan Accounts) of different companies (Target Companies) from banks in different Trusts (managed by the ARC as their trustee).

As an example the ARC acquires NPA Loan Account of one Target Company in one Trust. Each such Trust is a independent entity having separate PAN with ARC being the common Trustee. The Trusts will issue Security Receipts (SR) to the AIF against their investments in the said NPA Loan Accounts of the Target Company the investment is made in. Each SR is specifically related to an individual Target Company's loan and redemption and profits are also related directly to realization from the individual target company's loan and not across all loans held by the Trust of the ARC per say.

A diagram as annexure "A" showing the process is attached for your reference along with an example to clarify our query.



Ph : 033-2335 3030

Email : aif@mangalkari.in

Regd. Office : HB -170, Sector - III, Salt Lake,
Kolkata - 700 106



MANGALKARI ASSET INVESTMENT AIF

SEBI REGISTRATION NO. IN/AIF2/22-23/1096

In this regard we request your informal guidance that, to consider and calculate the limit of 25% in an Investee Company as mentioned in regulation 15(c) whether the threshold limit shall be applicable at the level of the individual Target Company whose loan is acquired in the ARC's Trust (against which separate identifiable SRs are issued to the AIF) or will it be at the level of the individual Trust regardless of multiple Target Companies loan accounts that it may hold.

We would be grateful for your views on the aforesaid query. In case of further clarification and additional information required, our contact details are as hereunder.

| | |
|-----------|----------------------|
| Name | Pradip Kumar Agarwal |
| Email | aif@mangalkari.in |
| Mobile no | 9831516540 |

Thanking you

Yours truly

Mangalkari Asset Investment AIF



Pradip Kumar Agarwal
Key Investment Team Member
& Authorised Signatory

Ph : 033-2335 3030

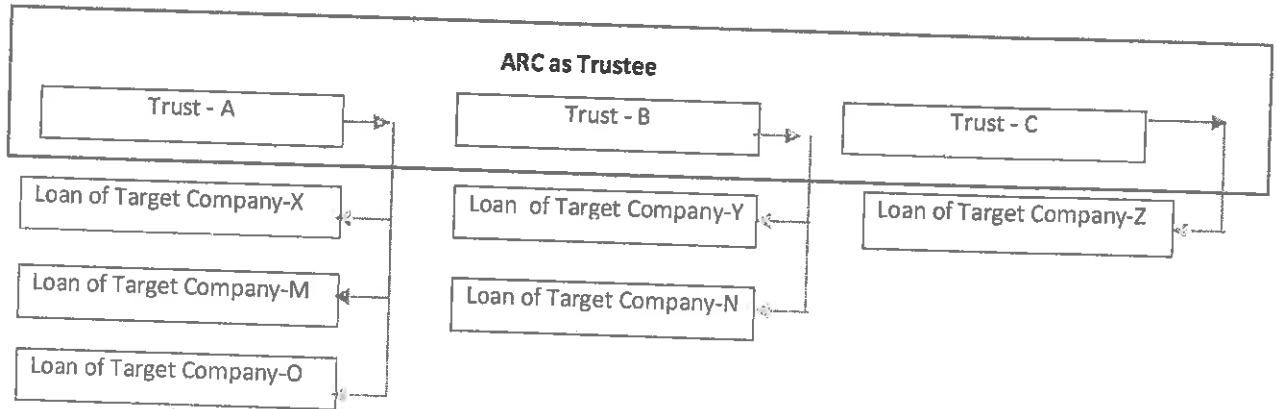
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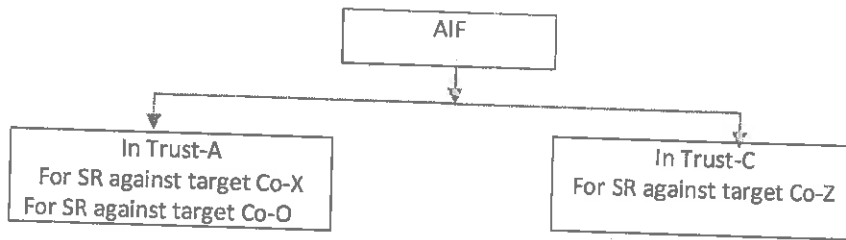


Annexure-A

Acquisition of target Company's loan by the ARC



Investment by an AIF in the SRs related to Loan of a Target Company/Companies



The Trusts A, B and C managed by the ARC as its trustee would acquire loans that have turned NPA of various target companies X, Y, Z, M, N and O from Banks and Financial Institutions.

The Trust A would issue separate identifiable Security Receipts to the AIF for its proportionate investment towards Loan of Target Co-X and Target Co-O acquired by Trust A. Similarly the Trust C will issue separate identifiable Security Receipts to the AIF for its proportionate investment towards Loan of Target Co-Z acquire by Trust C.

As an example: Say Trust A of the ARC has acquired loans of different target companies X, M and O through its trusts (as shown above) totalling Rs.50 Crores comprising of Loan of Target Company X worth 10 Cr., Loan of Target company M of worth Rs. 15 Crores and of O of worth Rs. 25 crores. Similarly Trust C has invested in Loan of Target Co. Z worth 30 Cr.

Under such circumstance, the AIF with a corpus of Rs. 25 Cr. with a threshold limit of 25% (6.25 Cr.) for each Investee Company can invest in:

A – SRs of Target Company X up to 6.25 Cr. plus SRs of Target Co. O upto 6.25Cr. – i.e. the threshold of 25% applies at the Target Company Level being the Investee Company (since SRs are Specific to the Target Company's Loan). Additionally the AIF can acquire SRs of Target co. Z issued by Trust C worth 6.25 Cr. making total possible investment in these three SRs to be maximum of 18.75 Cr. across both Trust A and Trust C.

OR

B -- Total SRs issued by Trust A worth a maximum of 6.25 Cr. plus Total SRs. issued by Trust C worth a maximum of 6.25 Cr. regardless of the investment in Target Companies– i.e. the Total investment possible is 12.50 Cr. in Trust A plus Trust C's.



18th June, 2023

To
The Chief General Manager
Investment Management department
Division of Fund-I
Securities and Exchange Board of India
SEBI Bhawan, CA-4-A, G Block,
Bandra Kurla Complex,
Bandra E, Mumbai-400051

Sub: Request for clarification in respect to Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in connection with Securities and Exchange Board of India (Alternative Investment Fund) Regulation 2012

Dear Sir/Madam,

This is a request for clarification under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003.

Mangalkari Asset Investment AIF is a Category-II Alternative Investment Fund (AIF) registered with Securities and Exchange Board of India vide registration certificate No-IN/AIF2/22-23/1096 (Copy Enclosed). The scheme /fund name of the AIF is Mangalkari Distressed Assets Fund whose objectives as envisaged in the approved Private Placement Memorandum is to invest in the distressed /stressed assets or other related opportunity in India through portfolio companies or investment in Security Receipt issued by the Assets Reconstruction Company (ARC).

Query-1

Background

The Reserve Bank of India issued a notification on 16th May, 2018 (published in Gazette of India on 5th July, 2018) specifying Category II and Category III Alternative Investment Funds (AIFs) registered with Securities and Exchange Board of India under Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012, as 'Qualified Buyers' subject to the following conditions:

- The AIF which has invested in an asset reconstruction company (ARC) shall not invest in the security receipts issued by that ARC;
- The AIF shall not invest in the security receipts issued on the underlying loans of any of its associate or group company;
- The AIF shall not invest in the security receipts backed by non-performing assets of banks which hold equity of more than 10% in that AIF.

Regulation 15(c) of the Securities and Exchange Board of India (Alternative Investment Fund) Regulation 2012 states that Category I and II of the Alternative Investment Fund shall invest not more than 25% of its investible fund in an Investee Company directly or through investment in units of other AIF.



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MANGALKARI ASSET INVESTMENT AIF

SEBI REGISTRATION NO. IN/AIF2/22-23/1096

Our Query

Asset Reconstruction Companies routinely acquire stressed loan accounts along with underlying mortgaged assets and collateral securities (NPA Loan Accounts) of different companies (Target Companies) from banks that have classified them as NPA and hold these debts and related mortgaged and collateral assets and guarantees in different trusts. The ARC may be acquiring multiple such NPA Loan Accounts of Target Companies in multiple trusts that they own. For clarification, all NPA Loan Accounts related to one Target Company acquired from banks are housed in Each Trust is independent and is having their own PAN numbers. One Target Company's loan accounts are held by only one such Trust.

We as a AIF are having opportunities to invest in the Security Receipts linked to multiple such Target Companies whose NPA Loan Accounts along with underlying mortgaged and collateral assets as well as guarantees are acquired by an Asset Reconstruction Company (ARC) in their different trusts.

In this regard we request your informal guidance that to consider and calculate the limit of 25% in an Investee Company as mentioned in regulation 15.(c) whether the threshold limit shall be applicable at the level of the individual Target Company acquired by the ARC's trust (one trust may have assigned to it NPA Loan Accounts of many such Target Companies) or will it be at the level of the individual trust regardless of multiple Target Company loan accounts it may hold (each trust of the ARC is independent and holding separate PAN numbers). Our AIF has not invested and will not invest in the ARC directly and shall only invest in the Security Receipts issued by the ARC's trusts and we shall be in compliance with points 1a, 1b, and 1c of the RBI notification issued on 16th May, 2018 mentioned hereinabove.

Query-2

Background

Regulation 17(a) the Securities and Exchange Board of India (Alternative Investment Fund) Regulation 2012 states that Category II Alternative Investment Funds shall invest in investee companies or in the units of Category I or other Category II Alternative Investment Funds as may be disclosed in the placement memorandum.

Explanation. – Category II Alternative Investment Fund shall invest primarily in unlisted companies directly or through investment in units of other Alternative Investment Funds.

In Section-I under Investment Objective and Strategy of the Private Placement Memorandum taken on record by SEBI, we have stated that the "Investment will be done by the AIF through Portfolio Companies or in Securities Receipt issued by the ARC/Trust"

Our Query

In order to maximize the return to the investors we request your informal guidance that can the AIF directly invest in the instruments like Equity, Non-Convertible Debenture, Partly Convertible Debenture etc issued by the unlisted companies without creating a separate investment arm in the form of portfolio company as allowed in Regulation 17(a) which shall be subject to the necessary amendment in the Private Placement Memorandum and compliance thereof as required under the Regulations.



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We would be grateful for your views on the aforesaid query. In case of further clarification and additional information required, our contact details are as hereunder.

| | |
|-----------|----------------------|
| Name | Pradip Kumar Agarwal |
| Email | aif@mangalkari.in |
| Mobile no | 9831516540 |

Thanking you

Yours truly

Mangalkari Asset Investment

Pradip Kumar Agarwal

Pradip Kumar Agarwal
Authorised Signatory



Encl: Demand draft of Rs. 29,500/- (Rs. 25,000 plus GST @18%) drawn in favor of Securities and Exchange Board of India, payable at Mumbai.

