



STATEMENT OF ADDITIONAL INFORMATION (SAI)

Name of Mutual Fund	IIFCL Mutual Fund (IDF)
Name of Asset Management Company	IIFCL Asset Management Company Limited (IAMCL)
Name of Sponsor	India Infrastructure Finance Company Limited (IIFCL)
Registered & Corporate Office of IAMCL	301-312, 3 rd Floor, Ambadeep Building, 14 K.G. Marg, New Delhi-110001
Website	www.iifclmf.com
Name of Registrar & Transfer Agent (RTA)	Computer Age Management Services Pvt. Ltd (CAMS) 178, MGR Salai, Opp. Palm Grove Hotel, Nungambakkam, Chennai - 600 034 Email Id : enq_pe@camsonline.com , website : www.camsonline.com
Name of Custodian	Citi Bank N.A. First International Financial Centre (FIFC), 11th Floor, Plot Nos. C 54 and C55, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400051
Name of Fund Accountant	Citi Bank N.A. First International Financial Centre (FIFC), 11th Floor, Plot Nos. C 54 and C55, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400051

This Statement of Additional Information (SAI) contains details of IIFCL Mutual Fund (IDF), its constitution, and certain tax, legal and general information. It is incorporated by reference (is legally a part of the Placement Memorandum). SAI should be read in conjunction with the respective Scheme Information Document(s) / Placement Memorandum and not in isolation.

This SAI is dated 28th June, 2016.

Please retain this SAI for future reference. Before investing, investors should also ascertain about any further changes in this SAI after the date of SAI from the Mutual Fund's website.





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I. INFORMATION ABOUT SPONSOR, AMC AND TRUSTEE COMPANIES

A. Constitution of the Mutual Fund

IIFCL Mutual Fund (IDF) (the “Mutual Fund” or “IIFCL – MF”) has been constituted as a trust on 17th August 2012 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) with India Infrastructure Finance Company Limited (IIFCL) as the Sponsor. IIFCL – MF is administered by a Board of Trustees presently comprising of IIFCL (represented by Sh. Sanjeev Ghai, Chief General Manager, IIFCL), Central Bank of India (represented by Sh. Kamal K. Taneja, Field General Manager, Central Bank of India), Punjab National Bank (represented by Sh. H. K. Parikh, Deputy General Manager, Punjab National Bank) and Oriental Bank of Commerce (represented by Sh. A. K. Jain, General Manager, Oriental Bank of Commerce). The trust deed dated 17th August, 2012 (“**Trust Deed**”) has been registered under the Indian Registration Act, 1908 on 22nd August, 2012. The Mutual Fund was registered with SEBI on 24th January 2013 under Registration Code MF/071/13/01.

B. Sponsor

IIFCL Mutual Fund is sponsored by India Infrastructure Finance Company Limited (IIFCL), a 100% Government of India owned company. The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs.10,000/- (Rupees Ten Thousand) to the Trustees as the initial contribution towards the corpus of the Mutual Fund.

Financial Performance of IIFCL (the Sponsor) (past three years):

(Rs. in Cr)

Particulars	2015-16(R)*	2014-15 (A)	2013-14 (A)
Net Worth	7,264	6,796	5,781
Total Income	4,659	4,061	3,917
Profit after tax	468	753	521
Assets Under Management (if applicable)	Sponsor does not have any assets under management.		

*R= Limited Review by Statutory Auditors.

Key Subsidiaries of IIFCL

a) **IIFC (UK) Limited:** IIFC (UK) Ltd, a wholly owned subsidiary of IIFCL, set up in April 2008 at London lends in foreign currency to Indian companies implementing infrastructure projects in India specifically for import of capital equipment.

b) **IIFCL Projects Limited (IPL):** IPL has been set up in February 2012 with the objective to provide advisory services to Central/State Government, local bodies and other stakeholders for promotion and development of infrastructure in India.

The company caters to Appraisal and Debt Syndication, Transaction Advisory Services and Project Development for the entire spectrum of infrastructure sector as defined by RBI List of Sub-Sectors for Infrastructure Lending/SEBI/Companies Act (Schedule VI) 2013 and as revised from time to time.



Associate Companies



- (i) **Irrigation & Water Resources Finance Corporation Limited (IWRFC):** IWRFC provides financial support to Water and Irrigation projects in India. The Merger of IWRFC with IIFCL has been approved by Government of India and the process is underway.

C. The Trustee

The Sponsor has appointed a Board of Trustees (the “Trustees”) for managing the Mutual Fund. The Trustees shall discharge its obligations as Trustee of IIFCL Mutual Fund. The Trustees ensures that the transactions entered into by the IIFCL Asset Management Company Limited (“IAMCL”) are in accordance with the SEBI Regulations and will also review the activities carried on by IAMCL.

Details of Board of Trustees:

Name	Age/Qualification	Brief Experience
Sh. Sanjeev Ghai	58/B.E., MBA	Project Financing, fund raising from both multilateral and bilateral financing institutions, diverse experience in capital market related activities, marketing of mutual fund products, financial services, accounts, investment banking, treasury, retail and commercial banking etc.
Sh. A. K. Deb (Independent Trustee)	63/B.Sc., M.Sc., CAIIB	Corporate Finance, Investment Banking, Corporate Governance etc.
Sh. H. K. Parikh (Independent Trustee)	58/CAIIB, CS (Inter)	Banking domain including credit and HRD etc.
Sh. J. S. Mohan (Independent Trustee)	57/B.Com., CA, CAIIB	Risk Management, AML, KYC, Credit control etc.
Sh. B.S Shekhawat (Independent Trustee)	54/Bsc (Agri) Hons, CAIIB, PG Certificate in Management IIMB	Banking domain in various capacities.

The duties, responsibilities and functions of the Board of Trustees

The rights and obligations of the Trustees are governed by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended to date. The duties, responsibilities and functions of the Board of Trustees are contained in the Principal Trust Deed dated 17th August 2012 (as amended from time to time) constituting the Mutual Fund and are briefly stated as follows:

- It is hereby agreed and declared that the Trustees shall, having set up and established the Mutual Fund, manage or cause to be manage the Mutual Fund subject to the Regulations, guidelines and circulars issued by SEBI and any other statutory or regulatory authority, from time to time and for that purpose, *inter alia*:
 - issue, sell, re-sell and purchase units under one or more schemes;



- b. acquire, hold, manage, trade and dispose of shares, debentures (convertible, partly convertible or non-convertible), loans, mezzanine instruments, bonds, units, instruments, obligations including underwriting obligations, warrants, notes, money market papers, instruments and other stocks and securities of all kinds issued by any Company or body corporate or any Mutual Fund trust or any local authority in India or the Government of India or any State of India or by the Government of, or any local authority or anybody corporate in any country outside India as may be approved by the Reserve Bank of India;
- c. purchase, sell or negotiate or otherwise deal with money market instruments;
- d. keep the capital and moneys of the Mutual Fund on deposit with banks or other institutions;
- e. enter into agency arrangements with bank/banks in or outside India;
- f. do any other kind of business connected with mobilisation of savings and investments;
- g. accept contributions, grants, donations;
- h. collect, get in and receive the profit, interest, dividend and income of the Trust Property from time to time as and when the same may become due and payable;
- i. pay all costs, charges, expenses and outgoings of and incidental to the administration and execution of the Trust and the management and maintenance of the Trust Property and all expenses incurred for the same including remuneration of the Trustee, the Asset Management Company, the Custodian and the Auditors and expenses inclined for marketing and selling of the schemes, including agent's commission, if any, brokerage and transaction costs, including stamp duty, cost of Registrar's services for transfer of units sold or redeemed and other costs including the preparation and distribution of notices, reports, printing, postage, maintenance of accounts and records, register of holders, ground rent and other rents, rates, taxes, outgoings and cost of repairs of any immovable properties forming part of the Trust Property, premium for insurance, income-tax and surcharge, if any and the wages and charges of employees and agents, clearly identified and attributed to individual schemes and subject to all such expenses being as prescribed by the Regulations;
- j. pay out of the income of the Trust Property after deducting all expenses and making appropriate provision for depreciation on investments and bad and doubtful debts, the dividend on units issued, clearly identified and attributed to individual schemes;
- k. take into their custody and/or control all the capital, assets, property of the scheme floated by the Mutual Fund and hold the same in Trust for the unitholders in accordance with this Deed, the Regulations, Guidelines and Circulars issued by SEBI and any other statutory or regulatory authority, from time to time;
- l. be responsible for supervising the collection of all income due to be paid to the schemes and for claiming any repayment of tax and holding any income received in Trust for the unitholders in accordance with this Deed, the Regulations, Guidelines and Circulars issued by SEBI and any other statutory or regulatory authority from time to time;
- m. act, at all times in the interest of the unitholders and to provide or cause to provide such information to the unitholders and SEBI, as specified by SEBI, from time to time;
- n. not acquire any asset out of the Trust Property which involves the assumption of any liability which is unlimited or shall result in encumbrance of the Trust Property, in any way;
- o. at all, times, not permit any application form or sales literature or other printed -matter to be published or issued to prospective buyers or any advertisement or report and/or announcement (other than announcement of prices or yields) to be addressed to the general body of unitholders or to the public, or to the press or other communications media without the Trustee's prior approval, in writing. No such material shall at any



tune contain any statement or matter extraneous to this Deed or Offer Documents of schemes, particulars of which are not approved by the Trustee and SEBI;

- p. not permit the Mutual Fund to make or guarantee loans or take up any activity in contravention of the Regulations, except with the prior approval of the Trustee and SEBI;
- q. be responsible for winding up an open ended scheme, if the total number of units outstanding after re-purchase at any point of time falls below fifty percent of the originally issued number of units and a closed ended scheme, if
 - i. on the expiry of the period of time, if any, fixed for the duration of the scheme by that scheme;
 - ii. on the happening of any event which, in the opinion of the Trustee requires the scheme to be wound up;
 - iii. 75% (Seventy five percent) of the unitholders of a scheme pass a resolution that the scheme be wound up; or
 - iv. SEBI so directs in the interest of the unit-holders;
- r. generally do all such acts, matters, deeds and things as may promote the Trust or as may be incidental to or consequential upon or necessary to or expedient to the discharge of its functions and the exercise and enforcement of all or any of the powers and rights under this Deed.
- s. hold meeting of trustees more frequently as required under SEBI Regulations amended from time to time, which currently requires that meeting of the trustees shall be held at least once in every two calendar months and at least six such meetings shall be held in every year.
- t. The Quorum of the Meeting of Trustees shall be 3 members

Provided that the quorum for a meeting of the trustees shall not be constituted unless one independent trustee or director is present at the meeting.

- u. to take reasonable care to ensure that the funds under the schemes floated by and managed by the asset management company are in accordance with the Trust Deed and Regulations.

- 2. At all times, the minimum strength of the Board of Trustee shall be 4 (four) members and the maximum shall be 6 (Six) members, including such minimum number of independent members as may be prescribed by SEBI or any other statutory or regulatory authority.
- 3. The appointment of a member on the Board of Trustee shall be subject to, inter alia the following:
 - i. No person shall be eligible to be appointed as a member on the Board of Trustee unless:
 - a. he is a person of ability, integrity and standing; and
 - b. has not been found guilty of moral turpitude; and
 - c. has not been convicted of any economic offence or violation of any securities laws; and
 - d. has furnished particulars as specified in prescribed form under SEBI Regulations.
 - ii. No asset management company and no director (including independent director), officer or employee of an asset management company shall be eligible to be appointed as a trustee of any mutual fund.
 - iii. The members on the Board of Trustees are persons who have experience in financial services and are not found guilty of any economic offence;
 - iv. The names of the members on the Board of Trustees shall be forwarded to SEBI;



- v. Any change in the constitution of the Board of Trustees shall be subject to the approval of SEBI;
 - vi. No members on the Board of Trustee shall retire unless another member is appointed in the place of the retiring member;
 - vii. No member on the Board of Trustees shall be eligible to be appointed as a member/director on the Board of Trustee/Trustee Company of any other Mutual Fund;
 - viii. Two-thirds of the trustees shall be independent persons and shall not be associated with the sponsors or be associated with them in any manner whatsoever and
4. Each individual member on the Board of Trustee shall -
- i. in carrying out his responsibilities as a member on the Board of Trustee of the Mutual Fund, maintain arms' length relationship with other Companies, or institutions or financial intermediaries or anybody corporate with which he may be associated in any capacity;
 - ii. not participate in the meetings of the Board of Trustees or of the Trustee Company or in any decision making process for any investments in which he may be deemed to be interested; and
 - iii. furnish to SEBI and the Board of Trustees the particulars of interest which he may have in any other Company, or institution or financial intermediary or any corporate by virtue of his position as director, partner or with which he may be associated in any other capacity.
5. The Board of Trustees shall inter-se adopt a code of conduct for functioning as Trustees of the Mutual Fund.

General and Specific due diligence

- i. General Due Diligence
 - a. The Trustees shall be discerning in the appointment of the directors on the Board of the asset management company.
 - b. The Trustees shall review the desirability or continuance of the asset management company if substantial irregularities are observed in any of the schemes and shall not allow the asset management company to float new schemes.
 - c. The Trustees shall ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons.
 - d. The Trustees shall ensure that all service providers are holding appropriate registrations from the Board or concerned regulatory authority.
 - e. The Trustees shall arrange for test checks of service contracts.
 - f. The Trustees shall immediately report to the Board of any special developments in the mutual fund.
- ii. Specific Due Diligence
 - a. obtain internal audit reports at regular intervals from independent auditors appointed by the Trustees,
 - b. obtain compliance certificates at regular intervals from the asset management company,
 - c. hold meeting of trustees more frequently,
 - d. consider the reports of the independent auditor and compliance reports of asset management company at the meetings of trustees for appropriate action,
 - e. maintain records of the decisions of the Trustees at their meetings and of the minutes of the meetings,



- f. prescribe and adhere to a code of ethics by the Trustees, asset management company and its personnel,
- g. communicate in writing to the asset management company of the deficiencies and checking on the rectification of deficiencies

Fees of the Trustee

The Trustee shall during the continuance of this Trust and until the entire Trust hereof shall be finally wound up and whether or not the Trust shall be in course of administration by or under the order or direction of any Court be paid annually a fee calculated at a rate not exceeding one-twentieth of one percent of the weekly average net Assets of the Mutual Fund subject to a minimum of ₹ 2,50,000/- (Rupees Two Lakhs Fifty Thousand Only), payable in arrears and that the rate of remuneration may be reviewed by the Settlor and the Trustees every three years. The remuneration aforesaid shall be deemed to accrue de die in diem and shall continue to be payable until the Trust shall be finally wound up and whether or not the said Trust shall be in the course of administration by or under the order or direction of the Court. The aforesaid remuneration shall be in addition to reimbursement of all costs, charges and expenses incurred in or about the administration and execution of the Trust, and to be reimbursed from and out of the Assets.

D. Asset Management Company

IIFCL Asset Management Company Limited (IAMCL) is a Public Limited Company incorporated under the Companies Act, 1956 on 28th March 2012, having its Registered & Corporate Office at 301-312, 3rd Floor, Ambadeep Building, 14 Kasturba Gandhi Marg, New Delhi – 110001. IAMCL has been appointed as the Asset Management Company (AMC) of the IIFCL Mutual Fund by the Trustees vide investment management agreement (IMA) dated 7th August 2012 (“**Investment Management Agreement**”), and executed between the Board of Trustees of IIFCL Mutual Fund and IIFCL Asset Management Company Limited. IAMCL has also been granted the approval from SEBI to act as the AMC of IIFCL – Mutual Fund (IDF).

Details of IAMCL Directors:

Name	Age/Qualification	Brief Experience
Sh. Santosh Balachandran Nayar Chairman & Director	61/B. Com, CAIIB	CMD, IIFCL. Immediately, prior to joining IIFCL, he was the CEO and MD of IFCI Limited and before that he was Deputy Managing Director & Group Executive (Large Corporate Banking and Project Finance Group) in State Bank of India.
Dr. Emandi Sankara Rao Director & CEO	55/Ph. D, PGDBA, M.Tech, B.E.	Prior experience with IDBI & IDFC in Resources & Treasury, Risk Management, Accounts, Audit, Business Development, Corporate Finance, Project



		Financing, Private Equity & Investment Banking.
Sh. Deepak K. Chatterjee Director	62/PG in Science and MBA from FMS , Delhi University	Currently serving as Director & CEO of IIFCL Projects Ltd. Prior to this, he was designated as MD&CEO of SBI Mutual Fund.
Dr. Pawan Singh Independent Director	54/B.A., MBA, Ph. D	Financial planning, resource mobilisation, debt restructuring, valuation of shares, PPA's, fuel supply agreement, gas supply agreement etc.
Sh. Nagaraja Sarma Maddipatla Independent Director	58/M.A. (Economics), L.L.B., AIII	General Manager, Oriental Insurance Company Ltd. – in charge of investments.

Duties and obligation of the AMC

IAMCL adheres to the duties and obligations of an AMC as specified in the SEBI (Mutual Fund) Regulations, 1996, as amended from time to time:

1. The Asset Management Company shall manage the investments of the Mutual Fund subject to the overall Investment Policy and supervision of the Trustee, to the Investment Restrictions and to the Investment Guidelines (as mentioned in the Investment Management Agreement), have the power and/or authorisation and right to exercise in relation to the investments only, the powers, duties, discretions and functions exercisable by the Trustees under the Trust Deed and subject as in the Investment Management Agreement, the Asset Management Company either itself or wholly or in part through its authorised agents or delegations approved for the purpose by the Trustees, shall in relation to the investment:
 - a. Frame and launch schemes from time to time after seeking approval from the Trustees and SEBI.
 - b. Manage the investment and re-investment of the investments in accordance with the Regulations, guidelines and circulars for Mutual Funds and such other circulars and guidelines that may be issued by SEBI from time to time with a view to achieving the Investment Policy without breaching the investment Restrictions.
 - c. Report to the Trustees at periodic intervals on all transactions in investments effected by it hereunder and otherwise as requested by the Trustees hereunder;
 - d. Evaluate investment opportunities for possible investment by the Mutual Fund;
 - e. Issue and administer instructions to the Custodian and the Mutual Fund's stock brokers and agents,
 - f. Keep or cause to be kept on behalf of the Mutual Fund at the Asset Management Company's head office, and at such other places as may be required by the laws, such books, records and statements expressed in such currencies as may be necessary to give a complete record of all transactions carried out by it on behalf of the Mutual Fund and such other books, records and statements as may be required by the laws and the Trust Deed and shall permit the Trustees and their respective employees, authorised agents and auditors to inspect such books, records, and statements at all reasonable times and on request furnish to the Trustees true copies thereof;



- g. Carry out periodic credit assessments of issuers, debtors or guarantors (if any) in respect of investments and proposed investments and subject to the overall supervision of the Trustees formulate prudent credit limits in relation thereto;
 - h. Prepare reports on the investments for inclusion in documents to be issued by the Mutual Fund;
 - i. Undertake to sell, re-sell or repurchase units and to redeem units in the event of winding up of the scheme, or otherwise provided in that scheme and
 - j. Effect the distribution of dividend as per the directions of the Trustee
2. The Asset Management Company shall have and is hereby granted, to the extent of such authority as provided for by the Investment Guidelines, the authority, power and right for the account and in the name of the Mutual Fund but subject to the Investment Guidelines, Investment Limitations including the Investment Restrictions and the Trust Deed and the supervision of the Trustee.
- a. To issue orders and instructions with respect to the acquisition and disposition of investments.
 - b. To purchase (or otherwise acquire), sell (or otherwise dispose of) and invest in investments on behalf of and for the account of the Mutual Fund in connection with any such purchase, other acquisition, sale or other disposal or the protection of any Investments. Investments of a long term nature are to be registered in the name of the Custodian for the account of the Mutual Fund or in the name of the Trustees for the account of the Mutual Fund or in the name of the Mutual Fund, as the case may be. The custody of investments other than investments of a long term nature, where it is not practicable or advisable to transfer as provided hereinabove, must be supervised by the Asset Management Company and it shall certify to the Trustee that the same are held in safe custody by the Custodian for and on account of the Mutual Fund and it shall provide to the Trustee the reconciliation of holdings thereto, at quarterly rests.
 - c. To enter into all contracts, agreements and other undertakings as may, in the opinion of the Asset Management Company be necessary or advisable or incidental to the carrying out of the objectives of this agreement, such as appointment of Bankers, Registrars to the Issue, Securities Transfer Agents etc.
 - d. To open and operate bank accounts in the name and on behalf of each scheme in relation of the investments;
 - e. To apply to the relevant authorities for and to obtain from such authorities, all necessary exchange control approvals in relation to investments and confirmations or consents relating to the taxation status of the Mutual Fund and all tax and other payments which may be due to the Mutual Fund, from time to time in respect of the relevant investments, and in connection therewith the Asset Management Company shall have and is hereby granted the authority to disclose to any such relevant authorities including such information in its possession regarding the Mutual Fund or its affairs as may be necessary or required;
 - f. To calculate the value of the net asset of each scheme, upon the occasions (including but not limited to the weekly valuation days), in the manner specified by SEBI and for the purpose provided by the Trust Deed and/or any other relevant Offer Letter or similar document issued by or for the Mutual Fund and forthwith following calculation of the same, to furnish the same to the Trustee; and
 - g. To calculate the fee payable in respect of the service of the Asset Management Company and the Custodian and to receive payment thereof and of other payment due to them.



3. The Asset Management Company shall be responsible for floating the schemes for the Mutual Fund after obtaining approval of each such scheme from the Trustee and SEBI and accordingly manage the funds mobilised under various schemes in accordance with the provisions of the Trust Deed, Regulations and laws and these presents.
4. The Asset Management Company shall be responsible for managing the funds mobilised under various schemes in accordance with the provisions of the Trust Deed, the Regulations and these presents.
5. The Asset Management Company shall not acquire any of the assets out of any scheme, which involves assumption of any liability which is unlimited or which may result in encumbrance of the scheme property in any way.
6. The Asset Management Company shall not give or guarantee any loan nor shall it take up any activity in contravention of the Regulations.
7. No loss or damage or expenses incurred by the Asset Management Company or its officers or any person delegated by the Asset Management Company shall be met out of the Trust Property.
8. The Asset Management Company shall ensure that no application form, or sales literature or other printed matter issued to prospective buyers, or advertisement, or report and or announcement (other than an announcement of prices or yields) addressed to the general body of unit holders, or to the public, or to the press or other communications media, is issued or published without the prior approval in writing of the Trustee and that such matter does not contain any statement or matter extraneous to the Trust Deed or Offer Document of schemes, the particulars of which are not approved by the Trustee and SEBI.
9. The Asset Management Company shall, disclose the basis of calculating the repurchase price and the net asset value of the various schemes of the Mutual Fund in the scheme particulars and disclose the same to the investors at such intervals as may be specified by the Trustee and SEBI.
10. The Trustee shall have the right to obtain from the Asset Management Company all information concerning the operations of the various schemes of the Mutual Fund managed by it at such intervals and in such a manner as required by the Trustee to ensure that the Asset Management Company is complying with the provisions of the Trust Deed and the Regulations.
11. The Asset Management Company shall submit quarterly report on the functioning of the schemes of the Mutual Fund to the Trustee or at such intervals as may be required by the Trustee and the SEBI.
12. The appointment of Asset Management Company can be terminated by a resolution of the Board of Trustee, passed by majority of the members of the Board of Trustees or by seventy five per cent of the unit holders of the scheme subject to prior approval of SEBI in accordance with the Regulations



13. The Asset Management Company shall not undertake any business activity other than the management of the Mutual Fund and other activities such as financial services consultancy, exchange of research and analysis on commercial basis so long as such activities are not in conflict with its fund management activity itself as herein provided without the prior approval of the Trustee and the SEBI.
14. The Asset Management Company shall not act as a Trustee of any Mutual Fund.
15. The Asset Management Company shall not act as an Asset Management Company for any other Mutual fund
16. The Asset Management Company shall not permit any of its Directors to hold the position of a Trustee in a Trust or act as a Director in any of the Asset Management Company.
17. The Director(s) of the Asset Management Company, in carrying out its responsibilities as Director of the Asset Management Company shall maintain arm's length relationship with other companies, or institutions or financial intermediaries or anybody corporate with which he may be associated.
18. The Director(s) of the Asset Management Company shall not participate in the meetings of the Board of Directors of the Asset Management Company or in any decision making process for any investments in which he may be deemed to be interested.
19. The Director(s) of the Asset Management Company shall furnish to the Trustee the interest which he may have in any other company or institution or financial intermediary or any corporate by virtue of his position as director, partner or with which he may be associated in any other capacity.
20. The authorities herein contained are continuing one and shall remain in full force and effect until revoked in accordance with the provisions hereof or revoked by termination of this Agreement provided that such revocation shall not affect any liability in any way resulting from transactions initiated prior to such revocation.
21. The asset management company shall invest the funds raised under various schemes in accordance with the provisions of the Trust Deed and the Regulations (as amended from time to time)
22. The asset management company shall provide an option of nomination to the unitholders in terms of Regulation 29A, in the form prescribed.

Credit Selection Process of the Asset Management Company

- a. IAMCL has a fund management team headed by Chief Investment Officer (CIO). The CIO is responsible for overseeing the investment decisions of the fund in accordance with the mandates of the various schemes.
- b. IAMCL has the following structured committees for enabling and reviewing the investment decisions:



- ***The Investment Recommendation Committee (IRC)***

- ✓ The IRC is constituted of the Chairman, Chief Executive Officer and CIO of IAMCL.
- ✓ The IAMCL investment team shall make the preliminary due diligence and present the findings to the IRC for in-principle approval.
- ✓ The IRC will meet at suitable interval, to consider, review and recommend the investment process.

- ***The Risk Management Committee (RC)***

- ✓ The Risk Evaluation and Management decisions will be taken by the Risk Management Committee.
- ✓ The projects after giving in-principle approval by IRC shall be referred to the RC before taking it to the Investment Committee.

- ***The Board of Directors***

- ✓ The Investment Committee, comprising of 50% independent directors, is the entire Board of IAMCL and shall give final approval for all the long term investments in debt securities (maturity more than 91 days) of infrastructure projects/companies/SPVs.

- c. IIFCL MF has constituted an Audit Committee comprising of three members (two independent Trustee) with a purpose to review financial closure and reporting of IIFCL Mutual Fund.

Fees and Other Expenses to the Asset Management Company

The Asset Management Company may charge the Mutual Fund with Investment Management and Advisory Fees which will be disclosed fully in the Offer Letter subject to the following ceiling:

- a. 1.5% of the weekly average Net Assets outstanding in in each accounting year for the scheme concerned

In addition to the fees mentioned above, the asset management company may charge the mutual fund with the following expenses, recurring expenses including:—

- i. marketing and selling expenses including agents' commission, if any ;
- ii. brokerage and transaction cost ;
- iii. registrar services for transfer of units sold or redeemed ;
- iv. fees and expenses of trustees ;
- v. audit fees ;
- vi. custodian fees ;
- vii. costs related to investor communication ;
- viii. costs of fund transfer from location to location ;
- ix. costs of providing account statements and dividend/redemption cheques and warrants ;



- x. insurance premium paid by the fund ;
- xi. winding up costs for terminating a fund or a scheme ;
- xii. costs of statutory advertisements ;
- xiii. listing fees, in case of schemes listed on a recognised stock exchange;
- xiv. Investor Awareness and Education Initiatives
- xv. such other costs as may be approved by SEBI.

The total expenses of the scheme excluding issue or redemption expenses, whether initially borne by the mutual fund or by the asset management company, but including the investment management and advisory fee shall be subject to the following limits:—

- A. in case of a fund of funds scheme, the total expenses of the scheme including weighted average of charges levied by the underlying schemes shall not exceed 2.50% of the daily net assets of the scheme.
- B. in case of an index fund scheme or exchange traded fund, the total expenses of the scheme including the investment and advisory fees shall not exceed one and one half percent (1.5%) of the daily net assets;
- C. in case of any other scheme -
 - i. on the first Rs.100 crores of the daily net assets - 2.5%;
 - ii. on the next Rs.300 crores of the daily net assets - 2.25%;
 - iii. on the next Rs.300 crores of the daily net assets - 2.0%;
 - iv. on the balance of the assets - 1.75%;

Provided that in respect of a scheme investing in bonds, such recurring expenses shall be lesser by at least 0.25% of the daily or weekly average net assets outstanding in each financial year.

Any expenditure in excess of the limits specified above shall be borne by the asset management company or by the trustee or sponsors.

Information on Key Personnel:

Name/Designation	Age/Qualification	Brief Experience
Dr. E. S. Rao, Director & Chief Executive Officer	Age: 55 years Qualification: Ph.D (IIT-Mumbai), PGDBA, M.Tech (IIT-Kharagpur) B.E. (Electrical Engineering)	Has a wide experience in Infrastructure Sector in different domains including resource raising and deployment, structured transactions etc. CGM (IIFCL), Group President – Finance (Global Holding Corporation), Director & Business Head (IDFC)
Mr. Prasanna Prakash Panda, Chief Investment Office and Fund Manager	Age :46 years Qualification: Post Graduate in Management (IIM-Ahmedabad),	Developed a strong pipeline of good quality investment opportunities in infrastructure projects , Originated, structured and closed complex infrastructure projects – Gas and



	Graduate in Electrical Engineering	Coal based Power plants, Urban Infrastructure, Ports, Logistics and Transportation Infrastructure, Provided Strategic advisory to Government, Private developers , and financing companies in Ports, chemical logistics and common industrial infrastructure, Implemented Power projects, involved in Project management and cost monitoring
Sh. Rakesh Kumar, Operations & HR Head	41 years Qualification B.Sc, PGDPM & IR Diploma in Training & Development	17+ years of experience in dealing Human Resource matters including General Administration in Central Public Sector Enterprises
Sales Head	None	None
Mr. Ajay Pal Singh Saini, Head Compliances & Company Secretariat and Investor Relation Officer	Age:40 Years Qualification: B.Com, FCS, LL.B	14+ years post qualification experience in Financial Services and Manufacturing Industry
Mr. Sumiran Bansal, Head – Finance & CFO	Age: 37 years Qualification: CA, CS, PGDFM	11+ years post qualification in Finance.
Mr.Chakra Dhar Kundu, Analyst, and Risk Manager	Age: 31 years Qualification : Post Graduate in Management and B.Tech (Mech.)	Experience in Project Finance, Project Development, Due Diligence in Infrastructure Domain.

E. Service Providers

Custodian

Name: CITIBANK, N.A.

Address: 11thFloor, First International Financial Centre, C-54 & 55, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051

SEBI Registration Number: IN/CUS/004

Fund Accountant

Name: CITIBANK, N.A.

Address: 11thFloor, First International Financial Centre, C-54 & 55, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051

SEBI Registration Number: IN/CUS/004



Registrar and Transfer Agent

Name: Computer Age Management Services Private Limited (“CAMS”/ “Registrar”)
Address: 178, M G R Salai, Opp. Palm Grove Hotel, Nungambakkam, Chennai - 600034
SEBI Registration Number: INR000002813

The Board of Directors of the AMC and the Trustee have satisfied themselves that the Registrar can provide the service required and has adequate facilities to discharge responsibilities with regard to processing of applications and dispatching unit certificates to unitholders within the time limit prescribed in the Regulations and also has sufficient capacity to handle investor complaints.

Statutory Auditor of IIFCL Mutual Fund (IDF)

Name: M/s Price Waterhouse Chartered Accountants LLP .
Address: 252 Veer Savarkar Marg, Next to Mayor's Bungalow, Shivaji Park, Dadar, Mumbai, Maharashtra 400 028, India

Legal counsel

There are no retained legal counsels to the Mutual Fund or AMC. Based on the matter involved, the AMC appoints appropriate legal counsel.

Collecting Bankers

The collecting bankers of various schemes of IIFCL Mutual Fund (IDF) would be IDBI Bank. The AMC reserves the right to appoint other qualified banks as collecting bankers from time to time.

F. Condensed Financial Information (CFI)

(in Rs. Lakhs)

HISTORICAL PER UNIT STATISTICS	IIFCL Mutual Fund Infrastructure Debt Fund Series – I*		
	2013-14	2014-15	2015-16
NAV at the beginning of the year (as on April 1)	—	10.1	11.13
Dividends	NA	NA	NA
NAV at the end of the year (as on March 31)	10.1	11.12	12.48
Annualised return (in %)*	7.71	9.94	10.92
Net Assets end of period (in ₹ Crores.)	303.11	333.8	374.4
Ratio of Recurring Expenses to net assets (in %)	1.14	1.33	1.37

*Scheme was closed on 10th February, 2014.



Maiden scheme of IIFCL Mutual Fund (IDF)

Maiden Scheme “IIFCL Mutual Fund Infrastructure Debt Fund Series I” was launched under Private Placement’ on 31st December 2013 and closed on 6th February 2014 with \$50 Million commitments from 5 investors as per the SEBI guidelines.

IIFCL MF IDF Series-I is the first Rs. 300Cr (~\$ 50 Million) IDF scheme in the country to be granted approval by SEBI and also the first IDF Scheme in country to be listed on BSE.

The five investors in IDF Series I are: IIFCL, HUDCO, Canara Bank, Corporation Bank & Oriental Bank of Commerce.

It was launched as a close ended 10-year fund under growth option, rated “AAA” by CARE and Brickwork Rating Agencies.

IAMCL has approved sanctioning the entire corpus of Rs. 300 Cr raised in the debt securities of various infrastructure sectors as under:

Sector	Rating as on 31st May, 2016	COD/Revenue Generating	Coupon Rate
Energy (Coal)	BBB-	Yes	12.15% (Semi-Annually)
Energy (Wind)	BBB+	Yes	12.00% (Quarterly)
Infra Companies	A-	Yes	13.25% (Quarterly)
Infra Companies	A-	Yes	13.25% (Quarterly)
OMT-Roads*	BBB	Yes	12.75% (Quarterly)
Hotel/IT Park	AA	Yes	11.00% (Monthly)
Energy (Transmission)	AAA	Yes	8.85% (Annually)

**Operations, Maintenance & Tolling*



II. HOW TO APPLY?

Application form for transactions (including subscription / redemption / switches) in the schemes of IIFCL Mutual Fund (IDF) would be available at the corporate office of the AMC and can also be downloaded from the website of IIFCL Mutual Fund (IDF) (www.iifclmf.com).

Applications complete in all respects, may be submitted before closure of the New Fund Offer Period / on-going period offer during the business hours to the Registrar, Computer Age Management Services Pvt. Ltd, New No. 10, Old No. 178, M G R Salai, Nungambakkam, Chennai - 600034 or at IIFCL Asset Management Co. Ltd., 301-312, 3rd Floor, Ambadeep Building, 14, Kasturba Gandhi Marg, New Delhi - 110001

The AMC reserves the right to reject transaction requests which do not have adequate information.

The Mutual Fund needs to use intermediaries such as post office, local and international couriers, banks and other intermediaries for correspondence with the investors and for making payment to the investor by cheque, drafts, warrants, through ECS, etc. The investor expressly agrees and authorizes the Mutual Fund to correspond with the investor or make payments to the investors through intermediaries including but not limited to post office, local and international couriers and banks.

Investors will be provided ASBA facility for all New Fund Offer (“NFO”). ASBA means “Application Supported by Blocked Amount”. ASBA is an application containing an authorization to block the application money in the bank account, for applying during the NFO. An ASBA investor shall submit an ASBA physically or electronically through the internet banking facility, to the Self Certified Syndicate Bank (SCSB) with whom, the bank account to be blocked, is maintained. Self-Certified Syndicate Bank has the same meaning as given to it in clause (zi) of sub regulation (1) of regulation 2 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. SCSB is a bank which is recognized as a bank capable of providing ASBA services to its customers. Names of such banks would appear in the list available on the website of SEBI (www.sebi.gov.in).

The SCSB shall then block the application money in the bank account specified in the ASBA, on the basis of an authorisation to this effect given by the account holder in the ASBA. The application money shall remain blocked in the bank account till the allotment of the issue or till withdrawal/ rejection of the application, as the case may be. ASBA facility will be available to all the category of investors mentioned under “Who can invest” Section of the respective SID. An investor, who is eligible for ASBA facility, has the option of making application through ASBA or through the existing facility of applying with cheque / demand draft/ online transfer as mentioned in the SID.

The Registrar, AMC, MF or any other agent or representative of any of these entities (“Mutual Fund”) may accept certain transactions via facsimile or through any electronic mode (“fax/electronic transactions”), subject to the investor fulfilling certain terms and conditions as stipulated by the AMC from time to time. Acceptance of fax/electronic transactions will be as per processes / methodologies permitted by SEBI or other regulatory authorities from time to time and will be solely at the risk of the investor using the fax/electronic transaction (“Investor”) and the Mutual Fund shall not be in any way liable or responsible for any loss,



damage, caused to the Investor directly or indirectly, as a result of the Investor sending such fax, whether or not received by the Mutual Fund. The investor acknowledges that fax / electronic transaction is not a secure means of giving instructions / transaction requests and that the investor is aware of the risk involved including those arising out of such transmission being inaccurate, illegible, having a lack of quality or clarity, garbled, distorted, not timely etc. and that the Investor's request to the Mutual Fund to act on any fax / electronic transaction is for the investor's convenience and the investor shall not be obliged or bound to act on the same. The Investor authorizes the Mutual Fund to accept and act on any fax / electronic transaction which the Mutual Fund believes in good faith to be given by the Investor and the Mutual Fund shall be entitled to treat any such fax / electronic transaction as if the same was given to the Mutual Fund under the investor's original signature. The Investor agrees that the security procedures adopted by the Mutual Fund may include signature verification, telephone call-backs or a combination of the same. Call-backs may be recorded by tape recording device and the Investor consents to such recording and agrees to co-operate with the recipient to enable confirmation of such fax / electronic transaction requests. The investor further accepts that the fax / electronic transaction shall not be considered until time stamped appropriately as a valid transaction request in the scheme in line with SEBI Regulations. In consideration of the mutual fund from time to time accepting and acting on any fax / electronic transaction request received / believed to be received from the investor, the investor agrees to indemnify and keep indemnified the AMC, IIFCL Mutual Fund (IDF), Trustees, Sponsor and the group companies of the AMC from and all actions, claims, demands, liabilities, obligations, losses, damages, costs (including without limitation, interest and legal fees) and expenses of whatever name (whether actual or contingent) directly or indirectly suffered or incurred sustained by or threatened against them. The AMC reserves the right to discontinue the above mentioned facilities at any point in time.

Restriction on Acceptance of Third Party Payments for Subscription of Units

1. AMC shall not accept the payments through Third Party Instruments. The third party instruments are defined as "when payment is made through instruments issued from an account other than that of the beneficiary investor". In case the payment is made from a joint bank account, the first holder of the mutual fund folio has to be one of the joint holders of the bank account from which payment is made. However this restriction will not be applicable for payment made by a guardian whose name is registered in the records of Mutual Fund in that folio.
2. AMC shall not accept subscription with third party instruments except by custodian on behalf of an FII or a client in following exceptional situation subject to submission of requisite documentation / declarations, without which applications for subscriptions for units will be rejected/not processed/ refunded:

In case of rejection the money shall be refunded without interest within eight days from the date of submission of transaction

3. In case of exceptions, investors are required to submit following documents along with the application without which such applications for subscriptions for units will be rejected / not processed / refunded.
 - a. Mandatory KYC for all investors (guardian in case of minor) and the person making the payment i.e., third party. In order for an application to be considered as valid, investors and the person making the payment should attach their valid KYC Acknowledgement Letter to the application form.



- b. Submit the Declaration Form containing the details of the bank account from which the payment is made and the relationship with the investor(s). The declaration has to be given by the person making the payment i.e., Third Party.

Investments by Companies/Corporate Bodies etc.

In case of application by a limited company or a body corporate or an eligible institution or a registered society or a trust or a partnership firm under a Power of Attorney or otherwise, the original Power of Attorney duly notarised or a certified true copy thereof or the relevant resolution or authority to make the application/redemption as the case may be, or certified true 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(as the case may be) and Certificate of Registration/Incorporation should be submitted. The officials should sign the application under their official designation. In case of a Trust, it shall submit a certified true copy of the resolution from the Trustee(s) authorizing such purchases/redemption.

Investments under Power of Attorney (PoA)

In case of an application under a Power of Attorney, the relevant original Power of Attorney duly notarized or duly certified true copy thereof should be submitted. The signatures of the investor and the POA holder must be clearly available in the POA document for the POA to be accepted as a valid document. AMC reserves the right to reject any POA and/or subsequent transaction if the signatures as above are not available in the document.

Investment by NRI's, PIO's, FII's

The following summary outlines the various provisions related to investments by Non-Resident Indians ('NRIs'), Persons of Indian Origin ('PIOs') and Foreign Institutional Investors ('FIIs') in the schemes of the Mutual Fund and is based on the relevant provisions of the Income Tax Act, 1961 ('the Act'), regulations issued under the Foreign Exchange Management Act, 1999 and the Wealth Tax Act, 1957 (collectively called 'the relevant provisions'), as they stand on the date of this SAI.

The following information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult with his or her own advisors/authorised dealers with respect to the specific tax and other implications arising out of his or her participation in the schemes.

NRI's, PIO's and FII's can invest in IIFCL Mutual Fund(IDF) Schemes on repatriation basis as per the provisions of Foreign Exchange Management Regulations, 2000 ('the Regulations').

The investments shall carry the right of repatriation of capital invested and capital appreciation so long as the investor continues to be a resident outside India. In the case of a FII, the designated branch of the authorized dealer may allow remittance of net redemption/maturity proceeds of units (after payment of taxes) or credit the amount to the Foreign Currency account or Non-resident Rupee account of the FII maintained in accordance with the approval granted to it by the RBI. In any other case, where the investment is made out of inward remittance or from funds held in NRE account of the investor, the maturity proceeds/repurchase price of units



(after payment of taxes) may be credited to NRE/NRO account of the non-resident investor maintained with an authorized dealer in India.



Investment by NRIs and PIOs

In case of NRI's/PIO's seeking to apply for purchase of units on a repatriable basis, payments may be made by way of wire transfer/inward remittances to IIFCL Mutual Fund (IDF)'s account (Details in Private Placement Memorandum) or by way of cheque drawn on the NRE Account of the investor or a Indian Rupee draft purchased abroad, payable at the location where the application form is submitted to any ISC/Collection Centre. Please provide a photocopy of the cheque along with the application form if investment is made through a NRE account.

Investments by FIIs

FII's may pay for their subscription amounts by way of wire transfer/inward remittances to IIFCL Mutual Fund(IDF)'s account (Details in Private Placement Memorandum) or out of funds held in special Non Resident Rupee Account maintained in a designated branch of an authorised dealer by way of cheques drawn on such account and made payable at the location where the application is submitted to any ISC/Collection Centre, or by way of Indian Rupee draft purchased abroad payable at the location where the application is submitted to any ISC/Collection Centre.

The NRI's/PIO's/FII's shall also be required to furnish such other documents as may be desired by the Mutual Fund in connection with their investment in the schemes.

Redemptions & Income Distribution

Redemption/maturity proceeds and /or dividend or income earned (if any) will be payable in Indian Rupees only. The Scheme will not be liable for any loss on account of exchange fluctuations, while converting the rupee amount in US Dollar or any other currency.



III. RIGHTS OF UNITHOLDERS OF THE SCHEME

1. Unit holders of the Scheme have a proportionate right in the beneficial ownership of the assets of the Scheme.
2. When the Mutual Fund declares a dividend under the Scheme, the dividend warrants shall be despatched within 30 days of the declaration of the dividend. Account Statement reflecting the new or additional subscription as well as Redemption / Switch of Units shall be despatched to the Unit holder within 10 business days of the Specified Redemption Date. Provided if a Unit holder so desires the Mutual Fund shall issue a Unit certificate (non- transferable) within 30 days of the receipt of request for the certificate.
3. The Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request.
4. The Trustee is bound to make such disclosures to the Unit holders as are essential in order to keep the unitholders informed about any information known to the Trustee which may have a material adverse bearing on their investments.
5. The appointment of the AMC for the Mutual Fund can be terminated by majority of the Directors of the Trustee Board or by 75% of the Unit holders of the Scheme.
6. 75% of the Unit holders of a Scheme can pass a resolution to wind- up a Scheme.
7. The Trustee 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 if a requisition is 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 Trustee 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:
 - 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 published in the language of the region where the Head Office of the Mutual Fund is situated; and
 - ii. the Unit holders are given an option to exit at the prevailing Net Asset Value without any Exit Load.
8. In specific circumstances, where the approval of unitholders is sought on any matter, the same shall be obtained by way of a postal ballot or such other means as may be approved by SEBI.



IV. INVESTMENT VALUATION NORMS FOR SECURITIES AND OTHER ASSETS

The principles of fair valuation that would be followed by IIFCL Mutual Fund (IDF) and as also prescribed in the “Eighth Schedule” of SEBI (MUTUAL FUNDS) REGULATIONS, 1996 are:

Principles of Fair Valuation

Mutual fund shall value its investments in accordance with the following overarching principles so as to ensure fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of mutual funds in all schemes at all points of time:

- (a). The valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realizable value of the securities/assets. The valuation shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures.
- (b). The policies and procedures approved by the Board of AMC shall identify the methodologies that will be used for valuing each type of securities/assets held by the mutual fund schemes. Investment in new type of securities/assets by the mutual fund scheme shall be made only after establishment of the valuation methodologies for such securities with the approval of the Board of the asset management company.
- (c). The assets held by the mutual fund shall be consistently valued according to the policies and procedures. The policies and procedures also describe the process to deal with exceptional events where market quotations are no longer reliable for a particular security.
- (d). The AMC shall provide for the periodic review of the valuation policies and procedures to ensure the appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/assets. The Board of Trustee and the Board of AMC shall be updated of these developments at appropriate intervals. The valuation policies and procedures shall be regularly reviewed (at least once in a Financial Year) by an independent auditor to seek to ensure their continued appropriateness.
- (e). The valuation policies and procedures approved by the Board of AMC should seek to address conflict of interest.
- (f). Disclosure of the valuation policy and procedures (with regard to valuation of each category of securities/assets where the scheme will invest, situation where these methods will be used, process and methodology and impact of implementation of these methods, if any) approved by the Board of AMC shall be made in Statement of Additional Information, on the website of AMC/mutual fund and at any other place where required to ensure transparency of valuation norms to be adopted by AMC.
- (g). The responsibility of true and fairness of valuation and correct NAV shall be of the AMC, irrespective of disclosure of the approved valuation policies and procedures i.e. if the established policies and procedures of valuation do not result in fair/ appropriate valuation, the AMC shall deviate from the established policies and procedures in order to value the assets/ securities at fair value:

Provided that any deviation from the disclosed valuation policy and procedures may be allowed with appropriate reporting to Board of Trustees and the Board of AMC and appropriate disclosures to investors.



- (h). The AMC shall have policies and procedures to detect and prevent incorrect valuation.
- (i). Documentation of rationale for valuation including inter scheme transfers shall be maintained and preserved by the AMC as per regulation 50 of SEBI Mutual Funds Regulations, to enable audit trail.
- (j). In order to have fairness in the valuation of debt and money market securities, the asset management company shall take in to consideration prices of trades of same security or similar security reported at all available public platform.

In case of any conflict between the Principles of Fair Valuation as detailed above and Valuation Guidelines issued by the Board hereunder or elsewhere, the Principles of Fair Valuation detailed above shall prevail.

Valuation methodologies

1. The appended table describes the methodologies for valuing each type of security held by the schemes.
2. Investment in any new type of security shall be made only after establishment of the valuation methodology for such security with the approval of the board of the AMC and Trustees.

Valuation Policy:

1. IIFCL Mutual Fund(IDF) shall adopt the 'Principles of Fair Valuation' as provided by SEBI in the Eighth Schedule of SEBI (Mutual Fund) Regulations, 1996 so as to ensure fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of mutual funds in all schemes at all points of time. Accordingly, the valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realizable value of the securities/assets. The valuation shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures.
2. The asset management company shall review the valuation policies and procedures once annually, to ensure the appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/assets. The Board of Trustee and the Board of IAMCL shall be updated of these developments. The valuation policies and procedures shall be reviewed at least once in a Financial Year by an independent auditor to seek to ensure their continued appropriateness.
3. The valuation policy and procedures approved by the Board of IIFCL Asset Management Company shall be made on the website of the Asset Management Company /mutual fund and at any other place where SEBI may specify to ensure transparency of valuation norms adopted.
4. The responsibility of true and fairness of valuation and correct NAV shall be of IIFCL Asset Management Company, irrespective of disclosure of the approved valuation policies and procedures i.e. if the established policies and procedures of valuation do not result in fair/ appropriate valuation, the asset management company shall deviate from the established policies and procedures in order to value the assets/ securities at fair value, provided that any deviation from the disclosed valuation policy and procedures may be



allowed with appropriate reporting to Board of Trustees and the Board of IIFCL Asset Management Company and appropriate disclosures to investors.

5. Documentation of rationale for valuation including inter scheme transfers shall be maintained and preserved by IIFCL Asset Management Company to enable audit trail.
6. In order to have fairness in the valuation of debt and money market securities, IIFCL Asset Management Company shall take in to consideration prices of trades of same security or similar security reported at all available public platform.
7. In case of any conflict between the Principles of Fair Valuation and Valuation Policy issued by IIFCL Asset Management Company Limited, the Principles of Fair Valuation shall prevail.

A. Fixed Income and related securities

Category	Policy
Traded Assets	<u>For securities with residual maturity >60 days:</u> • At valuation prices provided by CRISIL or any other agency for individual securities (without any discretionary spread) • In case prices not available as mentioned above: At weighted average YTM <u>For securities with residual maturity <= 60 days:</u> • At weighted average YTM A security will qualify as traded security if: • <u>For securities with residual maturity >1 Year:</u> At least two trades and aggregate volume of INR 25 crores face value or more on a public platform • <u>For securities with residual maturity <= 1 Year :</u> At least five trades and aggregate volume of INR 250 crores face value or more on a public platform <u>Note:</u> • Outlier trades, if any, will be ignored after suitable justification by Fund Managers.
Non-traded Assets	<u>For securities with residual maturity <= 60 days:</u> • Assets to be amortized on straight line amortization as long as their valuation remains within $\pm 0.10\%$ band of the price derived from the reference rate for each bucket (reference rate for every 15-day bucket will be provided by CRISIL or other agencies) • In case of amortised value falling outside the above band, the YTM of the asset will have to be adjusted in order to bring the price within the $\pm 0.10\%$ band with suitable justification <u>For securities with residual maturity >60 days:</u> • Valuation prices provided by CRISIL or any other agency for individual securities (without any discretionary spread) • In case prices not available as mentioned above: • CRISIL Bond Valuer. No cap on illiquidity premium / discounts. • Illiquidity changes: - o Fund Manager will freeze the credit spread of each security at the time of purchase. This credit spread can be changed based on primary market supply, significant



Category	Policy
	trading activity in the secondary market in same or similar assets, prospects of a credit event, etc. o Any security specific change in credit spread (>20 bps) will be documented with suitable justification Any portfolio wide change to credit spreads having regard to prevalent matrix yields will also be documented.
Inter-scheme Transfers	Inter-Schemes transfers would not be done
Self-Trades	A self-traded security having a single trade with face value of at least INR 5 crore, will be recognized at weighted average YTM for valuation across all schemes.

B. Equity and related securities

Asset Class	Traded / Non Traded	Basis of Valuation
Equity Shares, Preference Shares, Equity Warrants	Traded	On the valuation day, at the last quoted closing price on the National Stock Exchange (NSE)/ Bombay Stock Exchange (BSE) or other stock exchange, where such security is listed. If not traded on the primary stock exchange, the closing price on the other stock exchange will be considered. NSE will be the primary stock exchange.
	Non Traded	- When a security is not traded on any stock exchange, on the date of valuation, then the previous closing price on NSE / any other SE will be used, provided such closing price is not exceeding a period of 30 calendar days. - In all other cases Equity Shares: Valuation price will be in accordance with the norms prescribed, i.e. valuation will be computed on the basis of average of book value and the price computed on the basis of the PE ratio (after appropriate discount to industry PE), further discounted for illiquidity. Preference Shares: Intrinsic value will be considered Equity Warrants / Rights entitlement / partly paid up rights shares: Valuation price would be the Underlying Equity security price as reduced by the exercise/issuance price. If the exercise/issuance price is higher than the value of the security, the value of the security should be taken as zero. Valuation price will be arrived, after applying appropriate discount (valuation committee delegated the power to decide the discount factor), after reducing the exercise price / issuance price from the closing price of the underlying cash equity security. Demerger: Where at least one resultant company is not immediately listed, valuation price will be worked out by using cum-price, before demerger reduced for quoted price of the listed resultant company(s). OR In case of a demerger pending listing, the resultant company/ies shall be valued at the intrinsic value arrived at on the date of corporate action



Asset Class	Traded / Non Traded	Basis of Valuation
	Thinly Traded	Valuation will be computed on the basis of average of book value and the price computed on the basis of the PE ratio (after appropriate discount to industry PE), further discounted for illiquidity. Definition of thinly traded equity/ equity related security: When trading in an equity/equity related security in a calendar month is both less than INR 5 lacs and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security
Futures & Options	Traded Non Traded	On the valuation day, at the closing price provided by the respective stock exchanges. When a security is not traded on the respective stock exchange on the date of valuation, then the settlement price / any other derived price provided by the respective stock exchange.

Notes:

1. Public Platform refers to:
 - a) F-Trac: For corporate bonds / debentures, commercial papers, certificate of deposits and securitized debts
2. Government Securities and Treasury bills will be valued at prices provided by Crisil or any other agency.
3. Following assets will be valued at cost plus accruals / amortization:
 - a) Bank Fixed Deposits
 - b) CBLO / Reverse Repo
4. Units / shares of mutual funds will be valued at the last published NAV.
5. Weighted average YTM shall be rounded up to two digits after decimal point.
6. Securities with Put/Call Options
 - a) Securities with Put option/(s): At higher of the prices obtained by valuing the security to final maturity date and valuing the security to put option date/(s).
 - b) Securities with Call option/(s): At lower of the prices obtained by valuing the security to final maturity date and valuing the security to call option date/(s).
 - c) Securities with both Put/Call option: 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.



PROVISION RELATED TO NON-PERFORMING ASSETS (NPA)

- A. An asset shall be qualified as NPA if the interest and/or principal amount have not been received or remained outstanding for one quarter from the day such income and/or Instalment were due. E.g. If the due date of interest is 31.12.2015, then it will be classified as NPA from 01.04.2016.
- B. Once the asset is classified as NPA:
- (i) Full provision will be made on income accrued and outstanding as on the date of NPA, i.e., 01.04.2016 in the above example.
 - (ii) There will be no accrual of income on these assets from the date of NPA.
- C. Provision on principal amount (Whether due or not) of NPA asset will be made as under:

Past Due For	Provision %
6 months	10%
9 months	30%
12 months	50%
15 months	75%
18 months	100%

- (i) The above table indicate the minimum provision. The Board of IAMCL and Board of Trustees may approve the higher provision.
 - (ii) Full provisioning needs to be ensured prior to schedule phasing of asset or closure of scheme, whichever is earlier.
 - (iii) If any instalment has fallen due, during the period of default, the amount of provision will be higher of instalment amount or provision as per above table.
- D. Reclassification of Assets
- (i) In case a company has fully cleared all the arrears of interest, the interest provisions can be written back in full.
 - (ii) The asset will be reclassified as performing on clearance of all interest arrears and if the debt is regularly serviced over the next two quarters.
 - (iii) In case the company has fully cleared all the arrears of interest, the interest not credited on accrual basis shall be credited at the time of receipt.
 - (iv) The provision made for the principal amount can be written back in the following manner:
 - ✓ 100% of the asset provided for in the books will be written back at the end of the 2nd quarter where the provision of principal was made due to the interest defaults only
 - ✓ 50% of the asset provided for in the books will be written back at the end of the 2nd quarter and 25% after every subsequent quarter where both installments and interest payment were in default earlier.
 - (v) An asset is reclassified as 'standard asset' only when both, the overdue interest and overdue instalments are paid in full and there is satisfactory performance for a subsequent period of 6 months.



E. When the Mutual Fund has received income/ principal amount after their classifications as NPAs:

- (i) For the next 2 quarters, income shall be recognized on cash basis and thereafter on accrual basis. The asset will be continued to be classified as NPA for these two quarters.
- (ii) During this period of two quarters, although the asset is classified as NPA no provision needs to be made for the principal if the same is not due and outstanding.
- (iii) If part payment is received towards principal, the asset continues to be classified as NPA and provisions are continued as per the norms set above. Any excess provision will be written back.



V. TAX, LEGAL & GENERAL INFORMATION

A. Taxation

The Income-tax benefits described in this document are as per the provisions of Income-tax Act, 1961 (the Act) as amended by Finance (No. 2) Act, 2014. The information given is included only for general purpose and is based on advice received by the AMC regarding the law and practice currently in force in India and the Investors/Unit holders should be aware that the relevant fiscal rules or their interpretation may change. As is the case with any investment, there can be no guarantee that the tax position or the proposed tax position prevailing at the time of an investment in the Scheme will endure indefinitely. In view of the individual nature of tax consequences, each Investor/Unit holder is advised to consult his/her own professional tax advisor. Further, the tax implications/rates are discussed considering that the unit holders hold the units as a 'capital asset'.

(1) For the Mutual Fund

o Income Tax

IIFCL Mutual Fund (IDF) is registered with SEBI and is as such eligible for benefits under Section 10 (23D) of the Income Tax Act, 1961 (the Act). Accordingly its entire income is exempt from tax.

o Tax deduction at source (TDS)/Withholding Tax on Fund's Income

IDF will receive all its income without deduction of tax at source as per provisions of section 196 (iv) of the Act.

o Tax on Distributed Income

IDF will be liable to pay tax on distributed income under Section 115R of the Act as per applicable rates of tax as follows:

- ✓ IDF will be liable to pay tax on the distributed income, to the unit holders who are Individuals and Hindu Undivided Family, @ 25%.
- ✓ IDF will be liable to pay tax on the distributed income, to the unit holders who are other than Individuals and Hindu Undivided Family, @ 30%.
- ✓ IDF will be liable to pay tax on the distributed income under Infrastructure Debt Scheme to unit holders who are Non-Resident or foreign company @ 5%.
W.e.f. 1st October 2014, tax on distributed income is required to be paid by IDF after grossing up income distributed to investors by applicable rate of tax as explained above.
- ✓ The tax on distributed income as referred above, will also attract Surcharge @ 10%, Education Cess @ 2% and Secondary and Higher Education Cess @ 1%.

- o If a mutual fund is a beneficiary of a securitisation trust as defined under Explanation (d) of Section 115TC of the Act and the trust distributes income to the beneficiaries, being a mutual fund, then the trust will not be liable to pay tax on distribution of such income and the income so distributed in the hands of the mutual fund will be exempt u/s.10 (23D) of the Act.



o Service Tax

- ✓ The activities of Asset Management Companies (AMCs)/Mutual Funds are covered under the category of “Business Auxiliary Services” and are liable for paying service tax as service recipients on services provided by distributors of mutual fund /agents. The rate of Service tax is presently 14% (subsuming Education Cess and Secondary and Higher Education Cess, as earlier applicable, prior June 1, 2015).
- ✓ IIFCL Asset Management Ltd. (the AMC) and IDF will be liable to pay Service tax on all services availed unless such services are covered in the Negative List specified under Section 66D of the Finance Act 2004 or otherwise exempted by issue of Notification No. 25/2012 - Service Tax issued on 20th June, 2012.
- ✓ The Income by way of Management Fees receivable by the AMC will be subject to service tax and the fund will be liable to pay the service tax to the AMC on the management fees payable to AMC.

o Other Taxes

- ✓ The activities of the Asset Management Companies (AMCs)/Mutual Funds may be subject to additional taxation as may be notified and imposed, from time to time.
- ✓ Owing to the enabling provision, the Government may impose a Swachh Bharat cess on all or any taxable services at a rate of 2% on the value of all or any taxable services and the activities of the Asset Management Companies (AMCs)/Mutual Fund may be subject to such Swachh Bharat cess.

(2) For Unitholders

o Income other than Capital Gain

Income received by all the categories of the unit holders by way of distribution of the income by IDF will be exempt under Section 10(35) of the Act.

o Capital Gain

As per section 2(29A) of the Act read with section 2(42A) of the Act, units of the scheme held as a capital asset, for a period of more than 12 months immediately preceding the date of transfer, will be treated as long-term capital assets for the computation of capital gains where the transfer is during the period 1st April 2014 to 10th July 2014. As per the amended provisions of the Act, w.e.f. 11th July 2014, units of the scheme held as a capital asset for a period of more than 36 months immediately preceding the date of transfer, will be treated as long-term capital assets for the computation of capital gains; in all other cases, they would be treated as short-term capital assets.

✓ Long Term Capital Gain

Long-term capital gains arising from transfer of units will be chargeable to tax at different rates depending upon the status of the assessee:

➤ **Resident**

(i) Individuals, HUFs, Partnership Firms, Limited Liability Partnership, Indian Companies

- Long-term capital gains arising from transfer of units will be chargeable to tax under Section 112 of the Act at a rate of 20% plus applicable surcharge and Education Cess @ 2% and Secondary and Higher Education Cess @ 1%. Capital gains will be computed after taking into account cost of acquisition as adjusted by Cost Inflation Index notified by the Central Government and expenditure incurred wholly and exclusively in connection with such transfer. In case of units transferred upto 10th July 2014 at the option of the assessee, if tax payable on transfer of such units exceeds 10% of the amount of the capital gains before giving effect to the second proviso to Section 48 (Cost Indexation Benefit), such excess shall be ignored. In respect of units transferred on or after 11th July 2014 such option is not available to the investors.
- In case of a resident individual or HUF where taxable income as reduced by long term capital gains is below the exemption limit, the long term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be chargeable to tax at the flat rate of 20% plus applicable surcharge and Education Cess 2% and Secondary and Higher Education Cess 1%. If the assessee has exercised the option not to avail the benefit of indexation, then the long term capital gain will be chargeable to tax @ 10%

➤ **Non-Residents**

(i) Non-resident Indian

- Under Section 115E (ii) of the Act for Non-Resident Indians, long-term capital gains arising on transfer of units will be chargeable to tax @ 10% plus applicable surcharge and Education Cess 2% and Secondary and Higher Education Cess 1%.

(ii) Overseas Financial Organisation (Section 115AB) and Foreign Institutional Investor (115AD)

- Under Section 115AB of the Act, Long-term capital gains arising from transfer of units purchased in Foreign Currency by Overseas Financial Organisations, will be chargeable to tax @ 10% plus applicable Surcharge and Education Cess @ 2% and Secondary and Higher Education Cess @ 1%.
- Under Section 115AD of the Act, Long-term capital gains arising on transfer of units purchased by Foreign Institutional Investors, will be chargeable to tax @ 10% plus applicable Surcharge and Education Cess @ 2% and Secondary and Higher Education Cess @ 1%.

(iii) Non-Residents other than Non-Resident Indian, Foreign Company

Under Section 112 of the Act, Long-term capital gains arising from transfer of units will be chargeable to tax at the rate of 20% with the benefit of indexation. In respect of units transferred upto 10th July 2014, at the option of the assessee, if tax payable on transfer of such units exceeds 10% of the amount of the capital gains before giving effect to



the second provision to Section 48 (Cost Indexation Benefit), such excess shall be ignored. In respect of units transferred on or after 11th July 2014 such option is not available.

➤ **Exemption from Long Term capital gain**

- (i) In case of all unit holders the liability arising on account of Long Term Capital Gain from transfer of units can be set off by claiming exemption under Section 54EC of the Act subject to fulfilment of the conditions specified therein.
- (ii) In case of unit holders who are Individuals and Hindu Undivided Family, the liability arising on account of Long Term Capital Gain from transfer of units can be set off by claiming exemption under Section 54F of the Act subject to fulfilment of the conditions specified therein

✓ **Short Term Capital Gain**

➤ **Resident**

In case of Individual and Hindu Undivided Family, Short-term capital gains arising from transfer of units, will be added to the total income of the assessee and will be chargeable to tax at the applicable rate of tax based on the total income. In case of other assesses, the Short-term capital gains arising from transfer of units, will be chargeable to tax @ 30% plus applicable Surcharge and Education Cess @ 2% and Secondary and Higher Education Cess @ 1%.

➤ **Non-Resident (other than Non-Resident Indian), Foreign Institution Investor and Overseas Financial Organisation**

In case of Non-Resident, (other than Non-Resident Indian), Foreign Institution Investor and Overseas Financial Organisation short term capital gains arising from transfer of units will be chargeable to tax at the rate of 30% plus applicable Surcharge and Education Cess @ 2% and Secondary and Higher Education Cess @ 1%.

➤ **Foreign Company**

In case of foreign company, short term capital gains arising from transfer of units will be chargeable to tax at the rate of 40% plus applicable Surcharge and Education Cess @ 2% and Secondary and Higher Education Cess @ 1%.

➤ **Non-Resident Indian**

Under Section 115E(i), in case of foreign company, short term capital gains on transfer of units will be chargeable to tax at the rate of 20% plus applicable Surcharge and Education Cess @ 2% and Secondary and Higher Education Cess @ 1%



o Tax deduction at source (TDS)

✓ Income other than Capital Gains

In case of all unit holders, there will not be any deduction of tax at source from the income distributed by IDF as the income in the hands of the unit holder is exempt under Section 10(35) of the Act.

✓ Capital Gains:

- No tax is required to be deducted at source from capital gains arising at the time of repurchase or redemption of the units in case of resident investors.
- As per the provisions of Section 195 of the Act, tax is required to be deducted at source from the redemption proceeds paid to Non-Resident investors depending upon the status and applicable rate.
- The rate of withholding tax for short-term capital gains would be 30% (plus education cess and secondary and higher education cess as applicable) and for long-term capital gains would be 10% (plus education cess and secondary and higher education cess as applicable) if the payee is a Non-Resident Indian ('NRI').
- The rate of withholding tax for short-term capital gains would be 40% (plus education cess and secondary and higher education cess as applicable) and for long-term capital gains would be 20% (plus education cess and secondary and higher education cess as applicable) if the payee is a Foreign Company.
- The rate of withholding tax for short-term capital gains would be 30% (plus education cess and secondary and higher education cess as applicable) and for long-term capital gains would be 10 % (plus education cess and secondary and higher education cess as applicable) if the payee is a Overseas Financial Organisation.
- The rate of withholding tax for short-term capital gains would be 30 % (plus education cess and secondary and higher education cess as applicable) and for long-term capital gains would be 20% (plus education cess and secondary and higher education cess as applicable) if the payee is a Non-Resident other than Non-Resident Indian.
- No tax would be deductible at source from the capital gains (whether long-term or short-term) arising to an FII on repurchase/ redemption of units in view of the provisions of Section 196 D (2) of the Act.
- Where the Non-Resident unit holder, does not furnish its PAN to IDF, then tax will be withheld at the rate of 20% or higher applicable rate, even if the relevant DTAA or the Act provide for a lower rate.

o Capital Losses

- ✓ The capital losses resulting from the transfer of units would be available for setting off against other chargeable capital gains which would reduce the tax liability of the unit holder to that extent. However the capital losses resulting from transfer of long term capital assets being Units, which cannot be set off fully or partly against the other taxable capital gains then the same shall be carried forward separately for a period of eight assessment years to be set off against long term capital gains only.



- ✓ Unabsorbed short term capital losses arising from transfer of the units shall be carried forward and set off against the income under the head 'Capital Gain' (whether short term or long term) in any of the subsequent eight assessment years.

Note:

- a) In the case of Non-Resident investors, the above rates would be subject to applicable treaty relief. As per circular no. 728 dated October 1995 by CBDT, in case of remittance to a country with which a Double Taxation Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year of transfer or at the rate provided in DTAA, whichever is more beneficial to the assessee (taxpayer).
- b) Non-Residents claiming such tax treaty benefits, will have to obtain, from the Government of the Home Country, a tax residency certificate ("TRC") in a format prescribed. Such TRC would be regarded as a necessary proof of residency of the home country.
- c) The tax as calculated above shall be increased by a surcharge as under:

Status of the Assessee	Applicable Surcharge (%)*
Foreign Company or Foreign Institutional Investor, with income exceeding in a year	
Upto Rs 1 crore	NIL
Rs.1 crore -Rs 10 crore	2
More than Rs 10 crore	5
Domestic company, with income exceeding in a year	
Upto Rs 1 crore	NIL
Rs. 1 crore - Rs 10 crore	7
More than Rs 10 crore	12
Individuals, HUFs, Association of Persons or Body of Individuals, whether incorporated or not, firm, LLP and artificial juridical person	
Upto Rs 1 crore	NIL
More than Rs 1 crore	12

*As Applicable for Assessment Year 2016-17.

- d) The tax and surcharge as computed above shall be increased by Education Cess @ 2% and Secondary and Higher Education Cess @ 1%.

o Investment by Minors

Any taxable income arising to a minor unit holder from transfer of units will be clubbed with the income of the parent, whose income is greater and the tax will be payable by that parent on the income which will accrue to the minor during minority as per the provisions of Section 64(1A) of the Act.

o New pension Scheme (NPS)

Any income, including gains from redemption of units of scheme of Mutual Fund, received by any person for, or on behalf of, the New Pension System Trust, is exempt



in the hands of such person under section 10(44) of the Act. However such income will be chargeable to tax in the hands of the beneficial owner depending upon his status and other income

o Dividend Stripping

Under Section 94 (7) of the Act, in computing the income chargeable to tax of an assessee, loss arising on sale of units, which have been bought within 3 months prior to the record date (i.e. the date fixed by the Mutual Fund for the purposes of entitlement of the unit holders to receive the income) and transfer within a period of 9 months from the record date, shall be ignored to the extent of exempt income received or receivable on such units.

o Bonus Stripping

Under section 94(8) of the IT Act, where a person buys units (original units) within a period of three months prior to the record date, receives bonus units on such original units and then sells (all or part) of the original units within nine months after the record date, then the loss arising on transfer of original units shall be ignored for the purpose of computing the income chargeable to tax. The loss so ignored shall be treated as cost of acquisition of the bonus units.

o MAT – All Corporate unit holders

Section 115JB of the IT Act provides that a company is subject to provisions of MAT. Where the tax payable on total income as per the regular provisions of the IT Act is less than 18.5 per cent of the book profits computed under the said provisions, tax shall be payable at the rate of 18.5 per cent (of the book profit) plus applicable surcharge and education cess.

o Alternate Minimum Tax (AMT) - Other than Corporate unit holders

Under section 115JC of the Act, any person (other than company) is subject to provisions of AMT. Where tax payable as per regular provisions of the Act is less than 18.5 per cent of the adjusted total income as calculated under the aforesaid section, tax shall be payable at the rate of 18.5 per cent (of the adjusted total income) plus applicable surcharge and education cess. Provisions of Section 115JC shall apply to the investors who will claim deduction under Chapter VI-A (other than Section 80P) or section 10AA of the Act.

However, the above provisions in relation to AMT will not apply to individual, HUF, AOP or BOI if their adjusted total income does not exceed ₹ 2,000,000

o Other Benefits

Investments in Units of the Mutual Fund will rank as an eligible form of investment under Section 11(5) of the Act read with Rule 17C of the Income-tax Rules, 1962, for Religious and Charitable Trusts.

o Wealth Tax

Units in a scheme of a Mutual Fund are not regarded as an 'asset' within the meaning of section 2(ea) of the Wealth Tax Act, 1957 and are, therefore, not liable to wealth tax.

o General Anti-Avoidance Rule (GAAR)

The provisions of General Anti-Avoidance Rule (GAAR) have been introduced by the Finance Act, 2012 under Chapter X-A of the Act. GAAR is a broad set of provisions that has the effect of invalidating an arrangement that has been entered into by a taxpayer, under certain circumstances, where the main purpose or one of the main purposes is to obtain a tax benefit. This provision is introduced to address aggressive tax planning and codify the doctrine of “substance over form”. Where an arrangement is declared to be an “impermissible avoidance agreement”, the income-tax authorities can determine the consequences in relation to tax, of the arrangement, as may be deemed appropriate, including denial of tax benefit under a DTAA. However, the implementation of GAAR will be effective from 01.04.2016.

o Direct Tax Code Bill, 2012 (DTC)

The DTC has been tabled before the Indian Parliament for discussion and debate. The provisions given in the DTC carry significant changes to the existing income-tax laws. Since the DTC is yet to be enacted, the detailed provisions of the same have not been incorporated in this document.

The information under the head ‘Tax and Legal and General’ is based on the provisions of Income-tax Act, 1961 (the Act) as amended by Finance (No. 2) Act, 2014.

B. Legal Information

Nomination Facility:

Pursuant to Regulation 29A of the SEBI (MF) Regulations, the AMC is providing an option to the Unit holder to nominate (in the manner prescribed under the SEBI (MF) Regulations), a person(s) in whom the Units held by him shall vest in the event of his death. The Unit Holder/s can at the time an application is made or by subsequently writing to an Official point of acceptance of transactions, request for a Nomination Form in order to nominate one/more person/s (multiple nominations) to receive the Units upon his/ her death subject to the completion of the necessary formalities e.g. Proof of the death of the Unit Holder, signature of the nominee/s, furnishing proof of guardianship in case the nominee is/are minor/s, execution of Indemnity Bond of or such other documents as may be required from the nominee in favour of and to the satisfaction of the Fund, the AMC, or the Trustee.

Where the Units are held by more than one person jointly, the joint Unit holders may together nominate a person(s) in whom all the rights in the Units shall vest in the event of death of all the joint Unit holders. 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(s). A nomination in respect of the Units does not create an interest in the property after the death of the Unit holder. The nominee(s) 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(s) under the nomination facility provided herein shall not necessarily acquire any title or beneficial interest in the property by virtue of this nomination. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate. The Nominee shall not be a trust other than a religious or charitable trust, society, body corporate, partnership firm, Karta of Hindu Undivided Family or a Power of Attorney holder. A non-



resident Indian can be a Nominee subject to the exchange controls in force from time to time. Minor(s) can be nominated and in that event, the name and address of the guardian of the minor nominee shall be provided by the Unit holder. Nomination can also be in favour of the Central Government, State Government, a local authority, any person designated by virtue of his office or a religious or charitable trust. Nomination can be made for maximum of three nominees. In case of multiple nominees, the percentage of allocation / share in favour of each of the nominees should be indicated against their name and such allocation / share should be in whole numbers without any decimals making a total of 100 percent. In the event of Unitholders not indicating the percentage of allocation / share for each of the nominees, IIFCL Mutual Fund (IDF) / IIFCL Asset Management Company Limited (AMC), by invoking default option shall settle the claim equally amongst all the nominees. Nomination in respect of the Units stands rescinded upon the Redemption of Units. Cancellation of nomination can be made only by those individuals who hold Units on their own behalf singly or jointly and who made the original nomination. On cancellation of the nomination the nomination shall stand rescinded and the Mutual Fund / AMC shall not be under any obligation to transfer the Units in favour of the nominee(s). The nomination facility extended under the Scheme is subject to existing laws. The AMC shall, subject to production of such evidence which in their opinion is sufficient, proceed to effect the payment to the Nominee(s). Transfer of Units / payment to the nominee(s) of the sums shall discharge the Mutual Fund / AMC of all liability towards the estate of the deceased Unit holder and his/her/their successors/legal heirs.

The following additional Operational guidelines have to be followed for cases of nomination:

- a) Where a folio has joint holders, all joint holders should sign the request for nomination/cancellation of nomination, even if the mode of holding is not "joint". Nomination form cannot be signed by Power of attorney (POA) holders.
- b) Every new nomination for a folio/account will overwrite the existing nomination.
- c) Nomination shall be mandatory for new folios/accounts opened by individual especially with sole holding and no new folios/accounts for individuals in single holding should be opened without nomination.
- d) Even those investors who do not wish to nominate must sign separately confirming their non-intention to nominate.

"On Behalf of Minor" Accounts:

- a) The minor shall be the first and the sole holder in the folio.
- b) Guardian, being a natural guardian (i.e. father or mother) or a court appointed legal guardian or a court appointed legal guardian should submit requisite documentary evidence to AMC/registrar of fund to ascertain relationship/status of guardian.
- c) Date of birth of the minor along with supporting documents (i.e. Birth certificate, School leaving certificate / Mark sheet issued by Higher Secondary Board of respective states, ICSE, CBSE, Passport, PAN card etc., or other prescribed documents) should be provided while opening the folio.

"Minor Attaining Majority"

- a) The AMC/Registrar will send an advance notice advising the guardian and the minor to submit an application form along with prescribed documents, in order to effect change the status from "minor" to "major".
- b) The guardian cannot undertake any financial and non-financial transactions after the date of the minor attaining majority till the time the above application form along with the



prescribed documents are received by the AMC/RTA. The AMC/RTA shall freeze the folio for operation by the guardian on the day the minor attains majority and no transactions shall be permitted till documents for status change are received.

Change in Guardian

In the event of change in guardian of a minor, the new guardian must be a natural guardian (Father or Mother) or court appointed guardian and such guardian will be required to submit various documents including KYC, Bank attestation of his signature from a bank account of the minor where he is the registered guardian etc.

Application Forms without these information and documents will be considered incomplete and are liable to be rejected without any reference to the investors. The procedure implemented by the AMC and the decisions taken by the AMC in this regard shall be deemed final.

c) For Units held in Electronic (Demat) Mode

For units of the Scheme(s) held in electronic (demat) form with the Depository, the nomination details provided by the Unit holder to the depository will be applicable to the Units of the Scheme. Such nomination including any variation, cancellation or substitution of Nominee(s) shall be governed by the rules and bye-laws of the Depository. 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 legal successors/legal heirs. In case nomination has been made for DP account with joint holders, in case of death of any of the joint holder(s), the securities will be transmitted to the surviving holder(s). Only in the event of death of all the joint holders, the securities will be transmitted to the nominee. In case nomination is not made by the sole holder of DP account, the securities would be transmitted to the account of legal heir(s), as may be determined by an order of the competent court.

Unclaimed redemption and dividend amounts

SEBI has vide its circular dated November 24, 2000, asked Mutual Funds to follow the following guidelines:

The redemption and dividend amounts may be deployed by the mutual funds 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. The Fund would deploy the unclaimed redemption and dividend amount in the interest of the investors in such instruments / securities which the AMC would feel appropriate, from time to time. After a period of three years, this amount can 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 can be used for the purpose of investor education. It should be specifically noted that the AMC would make a continuous effort to remind the investors through letters to take their unclaimed amounts. Further, the investment management fee charged by the AMC for managing unclaimed amounts shall not exceed 50 basis points.

The amount lying as Unclaimed redemption and dividend would be deployed in fixed deposits.



Prevention of Money Laundering



The Prevention of Money Laundering Act, 2002, the Rules issued there under and the guidelines / circulars pertaining to Anti Money Laundering, released by SEBI (AML Laws), require intermediaries, including Mutual Funds, to inter-alia formulate and implement Client Identification Programme, verify and maintain the record of identity and address(es) of investors etc.

In order to ensure appropriate compliance with the AML Laws, to facilitate data capture and ensure easy and convenient submission of documents by investors, the mutual fund industry has collectively entrusted this responsibility of collection of documents relating to identity and address and record keeping to an independent agency (presently CDSL Ventures Limited) that will act as central record keeping agency ("Central Agency"). As a token of having verified the identity and address and for efficient retrieval of records, the Central Agency will issue appropriate acknowledgement to each investor who submits an application and the prescribed documents to the Central Agency.

Investors who have obtained the acknowledgement from CDSL, for having completed the Know Your Client (KYC) requirements can invest in the schemes of the mutual fund. Such evidence of having completed KYC needs to be submitted by Investors to the Mutual Funds.

The AMC shall call upon the Unitholders to provide necessary documentation in terms of Obligations of Securities Market Intermediaries under Prevention of Money Laundering Act, 2002 and rules thereunder.

Uniform Know Your Customers ("KYC") requirements for the Securities Market

All investors other than KYC compliant investors are required to follow the new KYC compliance procedure as mentioned below while making any investments with IIFCL Mutual Fund(IDF) ("the Fund"):

- Fill up and sign the KYC application form (for individual investors or non-individual investors as appropriate) available on the Fund's web site i.e. www.iifclmf.com
- At the time of transacting with the Fund, submit, in person, the completed KYC application form along with all the necessary documents as mentioned in the KYC application form with any of the offices of the distributors, Registrar and Transfer Agent of the Fund and the Fund; and
- Obtain a temporary acknowledgement for submission of all the documents and completion of In Person Verification (IPV);

Note: As per the SEBI circular MIRSD/Cir-26/2011 dated December 23, 2011, it is mandatory for SEBI registered intermediaries to carry out "In-Person Verification" ("IPV") of any investor dealing with a SEBI registered intermediary.

For investments in a mutual fund, the Asset Management Companies, Registrar and Transfer Agents of mutual funds and distributors which comply with the certification process of National Institute of Securities Market or Association of Mutual Funds in India and have undergone the process of "Know Your Distributors" are authorised to carry out the IPV. Unless the IPV process is completed, the investor will not be considered as KYC compliant under the new KYC compliance procedure and hence will not be permitted to make any investment in the Fund;



For investors proposing to invest with the Fund directly (i.e. without being routed through any distributor), IPV done by a scheduled commercial bank may also be relied upon by the Fund.

Once all the documents are verified by a KRA, they will send the investor a letter within 10 working days from the date of receipt of necessary documents by them from the Fund or its Registrar and Transfer Agent informing the investor either about compliance by the investor of the new KYC compliance procedure (“final acknowledgement”) or of any deficiency in submission of details or documents.

On the basis of the temporary acknowledgement or the final acknowledgement the investor would be eligible to deal with any of the SEBI registered intermediaries as mentioned in the above mentioned SEBI circulars.

In case of investor who is not KYC Compliant, the investor will have to submit the standard KYC Application forms available in the website www.cvlkra.com along with supporting documents at any of the SEBI registered intermediaries at the time of purchase / additional purchase/ new registration etc. In Person Verification (IPV) will be mandatory at the time of KYC Submission. This uniform KYC submission would be a onetime submission of documentation.

Investors who have complied with KYC process before December 31, 2011 (KYC status with CVL-KRA as “MF - VERIFIED BY CVLMF”) and not invested in the schemes of IIFCL Mutual Fund(IDF) i.e. not opened a folio earlier, and wishes to invest now, such investors will be required to submit “missing/not available” KYC information and complete the IPV requirements.

Updation of “missing / not available” KYC information along with IPV is currently a one-time requirement and needs to be completed with any one of the mutual funds i.e. need not be done with all the mutual funds where investors have existing investments. Once the same is done then the KYC status at CVL-KRA will change to “Verified by CVL KRA” after due verification. In such a scenario, where the KYC status changes to “Verified by CVL KRA”, investors need not submit the “missing/not available” KYC information to mutual funds again.

a) In case of Individual investors, following details needs to be submitted:

- i. Father’s/Spouse’s Name,
- ii. Marital Status,
- iii. Nationality,
- iv. Gross Annual Income or Net worth as on recent date
- v. In-Person Verification (IPV)

Individual Investors are required to submit “KYC Details Change Form” issued by CVL-KRA available on their website www.cvlkra.com.

In case of Non Individual investors, complied with KYC process before December 31, 2011, KYC needs to be done afresh due to significant and major changes in KYC requirements.



Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) on Automatic Exchange of Information:

FATCA is a law of United States of America (US) aimed at increasing compliance by, and at prevention of tax evasion by citizens and residents of US through use of offshore accounts and foreign financial assets. In terms of FATCA, foreign financial institutions (FFIs) are required to report information about financial accounts held by US taxpayers (even if they hold only non-US assets), or held by foreign entities in which US taxpayers hold a substantial ownership interest. The Government of India and Government of US have signed an Inter-Governmental Agreement (IGA) on July 9, 2015, to implement FATCA. SEBI vide circular dated June 30, 2014, on the subject has clarified that the Government of India has advised that India and US have reached an agreement in substance on the terms of an Inter-Governmental Agreement (IGA) to implement FATCA.

On similar lines the Organization of Economic Development (OECD) along with G-20 countries has also released a 'Standard for Automatic Exchange of Financial Account Information in Tax Matters' commonly known as Common Reporting Standard (CRS). India is signatory to the Multilateral Competent Authority Agreement (MCAA) for the purposes of CRS.

Under FATCA / CRS provisions, financial institutions are obligated to obtain information about the financial accounts maintained by investors, and report to the local Government/ notified tax authorities. In accordance with FATCA and CRS provisions, the AMC / Mutual Fund is required to undertake due diligence process and identify foreign reportable accounts and collect such information / documentary evidences of the FATCA/CRS status of its investors / unit holders and disclose such information (through its agents or service providers) as far as may be legally permitted about the holdings/ investment returns to US Internal Revenue Service (IRS) / any other foreign government or the Indian tax authorities, as the case may be, for the purpose of onward transmission to the IRS / any other foreign government pursuant to the new reporting regime under FATCA/CRS.

FATCA/CRS due diligence will be directed at each investor / unit holder (including joint investor/unit holder) and on being identified as a reportable person, all the folios will be reported. In case of folios with joint holders, the entire account value of the investment portfolio will be attributable under each such reportable person. An investor / unit holder will therefore be required to comply with the request of the AMC / Mutual Fund to furnish such information as and when sought by the AMC for the AMC / Mutual Fund to comply with the information reporting requirements stated in IGA/MCAA and circulars issued by SEBI / Association of Mutual Funds in India (AMFI) in this regard. The information disclosed may include (but is not limited to) the identity of the investors/ unit holder(s) and their direct or indirect beneficiaries, beneficial owners and controlling persons.

FATCA /CRS provisions are relevant not only at on-boarding stage of investor(s)/unit holder(s) but also throughout the life cycle of investment with the Mutual Fund. In view of this, investor(s)/unit holder(s) should immediately intimate to the AMC and the Mutual Fund, in case of any change in their status with respect to FATCA/CRS related declaration provided by them previously. Existing investors of the Fund are also advised to contact the AMC for obtaining the FATCA declaration form and submit the duly filled FATCA declaration form to the AMC for necessary updation in the records.



Investors / unit holders should consult their own tax advisors regarding FATCA/CRS requirements with respect to their own situation. The AMC/Mutual Fund reserves the right to reject any application/freeze any folio(s) held directly or beneficially for transactions in the event the applicant/unit holder(s) fail to furnish the relevant information and/or documentation in accordance with FATCA provisions and as requested by the AMC/Mutual Fund.

TRANSFER AND TRANSMISSION

The AMC may at its sole discretion list the Units under any one or more Schemes on one or more Stock Exchanges. On deciding to list, the AMC will make a suitable public announcement to that effect.

If a person becomes a holder of the Units consequent to operation of law, or upon enforcement of a pledge, the Fund will, subject to production of satisfactory evidence, effect the transfer, if the transferee is otherwise eligible to hold the Units. Similarly, in cases of transfers taking place consequent to death, insolvency etc., the transferee's name will be recorded by the Fund subject to production of satisfactory evidence. All such changes shall be carried out in line with the applicable laws and the decision of the AMC shall be considered final.

The following lists of documents are required to be submitted by investor for transmission under various situations:

Transmission to surviving unit holders in case of death of one or more unit holders:

- Letter from surviving unit holders to the Fund / AMC requesting for transmission of units,
- Death Certificate in original or photocopy duly notarized or attested by gazette officer or a bank manager,
- Bank Account Details of the new first unit holder as per the format as mentioned on our website www.iifclmf.com along with attestation by a bank branch manager or cancelled cheque bearing the account details and account holders name.
- KYC of the surviving unit holders, if not already available.

Transmission to registered nominee/s in case of death of Sole or All unit holders:

- Letter from claimant nominee/s to the Fund / AMC requesting for transmission of units
- Death Certificate/s in original or photocopy duly notarized or attested by gazette officer or a bank manager
- Bank Account Details of the new first unit holder as per the format as mentioned on our website www.iifclmf.com along with attestation by a bank branch manager or cancelled cheque bearing the account details and account holders name.
- KYC of the claimant/s,
- If the transmission amount is Rs. One Lakh or more then indemnity must be duly signed and executed by the nominee/s as per the format as mentioned on our website www.iifclmf.com

Transmission to claimant/s, where nominee is not registered, in case of death of Sole or all unit holders:

- Letter from claimant/s to the Fund / AMC requesting for transmission of units,



- Death Certificate/s in original or photocopy duly notarized or attested by gazette officer or a bank manager,
- Bank Account Details of the new first unit holder as per the format as mentioned on our website www.iifclmf.com along with attestation by a bank branch manager or cancelled cheque bearing the account details and account holders name.
- KYC of the claimant/s,
- Indemnity Bond from legal heir/s as per the format as mentioned on our website www.iifclmf.com
- Individual affidavits from legal heir/s as per the format as mentioned on our website www.iifclmf.com
- If the transmission amount is below Rs One Lakh: any appropriate document evidencing relationship of the claimant/s with the deceased unit holder/s.
- If the transmission amount is Rs One Lakh or more: Any one of the documents mentioned below:
 - Notarized copy of Probated Will, or
 - Legal Heir Certificate or Succession Certificate or Claimant's Certificate issued by a Competent court, or
 - Letter of Administration, in case of Intestate Succession.

Transmission in case of HUF, due to death of Karta:

HUF, being a Hindu Undivided Family, the property of the family is managed by the Karta and HUF does not come to an end in the event of death of the Karta. In such a case, the members of the HUF will appoint the new Karta who needs to submit following documents for transmission:

- Letter requesting for change of Karta,
- Death Certificate in original or photocopy duly notarized or attested by gazette officer or a bank manager,
- Duly certified Bank certificate stating that the signature and details of new Karta have been appended in the bank account of the HUF as per the format as mentioned on our website www.iifclmf.com
- KYC of the new Karta and KYC of HUF, if not already available.
- Indemnity bond signed by all the surviving coparceners and new Karta as per the format as mentioned on our website www.iifclmf.com
- In case of no surviving coparceners OR the transmission amount is Rs One Lakh or more OR where there is an objection from any surviving members of the HUF, transmission should be effected only on the basis of any of the following mandatory documents:
 - Notarized copy of Settlement Deed, or
 - Notarized copy of Deed of Partition, or
 - Notarized copy of Decree of the relevant competent Court

Application Forms without these information and documents will be considered incomplete and are liable to be rejected without any reference to the investors. The procedure implemented by the AMC and the decisions taken by the AMC in this regard shall be deemed final.



LISTING AND TRANSFER OF UNITS

LISTING

The units of the close ended schemes shall be listed. The units are proposed to be listed on the NSE or BSE. The In – principle approval from NSE or BSE shall be taken for listing of units of the scheme. Buying or selling of Units by investors can be made from the secondary market on the NSE or BSE. Units can be bought or sold like any other listed stock on the Exchange at market prices. The minimum number of Units that can be bought or sold on the Exchange is 1 (one) unit. Investors can purchase Units at market prices, which may be at a premium/discount to the NAV of the Scheme depending upon the demand and supply of Units at NSE or BSE. Unitholders who wish to trade in units would be required to have a demat account. All investors may buy/sell Units on NSE or BSE on all the trading days of NSE or BSE as per the settlement cycle of the Stock Exchange.

Since the close ended Schemes are proposed to be listed, for declaration of dividend, the Scheme shall follow the requirements stipulated in the listing agreement.

Although Units of close ended schemes are proposed to be listed on NSE or BSE, there can be no assurance that an active secondary market will develop or be maintained. Trading on NSE or BSE may be halted because of market conditions or for reasons that in the view of the market authorities or SEBI, trading in the Units is not advisable. There can be no assurance that the requirements of the market necessary to maintain the listing of the Units will continue to be met or will remain unchanged. The AMC and the Trustees will not be liable for delay in trading of Units on NSE due to the occurrence of any event beyond their control.

TRANSFER

On listing, the units of close ended scheme / plan would be transferable. Transfers should be only in favour of transferees who are eligible for holding Units under the close ended Scheme. The AMC shall not be bound to recognise any other transfer. For effecting the transfer of Units held in electronic form, the Unitholders would be required to lodge delivery instructions for transfer of Units with the DP in the requisite form as may be required from time to time and the transfer will be effected in accordance with such rules/regulations as may be in force governing transfer of securities in dematerialised mode.

In accordance with SEBI circular number CIR/IMD/DF/10/2010 dated August 18, 2010 units of all the schemes of the IIFCL Mutual Fund(IDF) which are held in electronic (demat) form, will be transferable and will be subject to the transmission facility in accordance with the provisions of SEBI (Depositories and Participants) Regulations, 1996 as may be amended from time to time.

If a person becomes a holder of the Units consequent to operation of law, or upon enforcement of a pledge, the Fund will, subject to production of satisfactory evidence, effect the transfer, if the transferee is otherwise eligible to hold the Units. Similarly, in cases of transfers taking place consequent to death, insolvency etc., the transferee's name will be recorded by the Fund subject to production of satisfactory evidence.



PLEDGE OF UNITS FOR LOANS

The Units can be pledged by the Unitholders as security for raising loans subject to the conditions of the lending institution. The Registrar will take note of such pledge (by marking a lien etc.) / charge in its records. Disbursement of such loans will be at the entire discretion of the lending institution and the fund assumes no responsibility thereof.

The pledger will not be able to redeem Units that are pledged until the entity to which the Units are pledged provides written authorisation to the fund that the pledge/lien charge may be removed. As long as Units are pledged, the pledgee will have complete authority to redeem such Units. However, such redemption will be permitted only on maturity of the scheme. Decision of the AMC shall be final in all cases of lien marking.

In case of Units held in electronic form, the rules of Depository applicable for pledge will be applicable for Pledge/Assignment of the Units of the Scheme. Units held in electronic form can be pledged by completing the requisite forms/formalities as may be required by the Depository

Payment of Maturity Proceeds

On maturity of the Scheme/respective Plan, the outstanding Units shall be redeemed at the NAV of the maturity date and proceeds will be paid to the Unitholders, without any further reference from the Unitholders. For the units held in electronic form, the units will be extinguished with the depository and the redemption amount will be paid on the maturity date, at the prevailing NAV on that date. The maturity amount will be paid to the Unitholders whose names appear on the Register of Unitholders on the respective maturity dates, at the prevailing NAV on that date.

DURATION AND WINDING UP OF SCHEME

The duration of the open ended / interval schemes of the Fund is perpetual while the close ended schemes have defined durations. The AMC, the Fund and the Trustee reserve the right to make such changes/ alterations to the Scheme (including the charging of fees and expenses) offered under its scheme information documents / offer documents to the extent permitted by the applicable Regulations. In case of close ended schemes, the Fund reserves the right to extend the Scheme / Plan(s) beyond its redemption date in accordance with Regulations. In such an event the Unitholder shall be given an option to either sell back the Units to the Fund or to continue in the Scheme / Plan(s). The Fund could also give the investor the option to switch the repurchase proceeds into any other eligible Scheme of the Mutual Fund launched or in operation at that time. The extension of the period of the Plan(s) / Scheme beyond final redemption date/s or roll over of the Plan(s) / Scheme shall be in accordance with Regulations. The Fund may also convert the Scheme after the final Redemption date into an open-end Scheme and this shall be in accordance with the Regulations.



However, in terms of the Regulations, a Scheme may be wound up after repaying the amount due to the Unitholders:

1. On completion of the Scheme or on expiry of such date beyond final redemption date as may be decided by the Trustee.
2. On happening of any event, which in the opinion of the Trustee, requires the Scheme to be wound up, or
3. If at the end of maturity of the debt securities in which investments are made by the scheme of IIFCL – MF there are not sufficient number and type of eligible securities matching the remaining tenor of the scheme, or
4. If seventy five percent (75%) of the Unitholders of the Scheme pass a resolution that the Scheme be wound up, or
5. If SEBI so directs in the interest of the Unitholders.

Where the Scheme is so wound up, the Trustee shall give notice of the circumstances leading to the winding up of the Scheme to:

1. SEBI and
2. in two daily newspapers with circulation all over India and in one vernacular newspaper with circulation where the office of the Mutual Fund is situated.

On and from the date of the publication of notice of winding up, the Trustee or the Investment Manager, as the case may be, shall:

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

Procedure and manner of Winding up

- The Trustee shall call a meeting of the Unitholders to approve by simple majority of the Unitholders present and voting at the meeting for authorising the Trustee or any other person to take steps for the 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 Trustee or the person authorised above, shall dispose of the assets of the Scheme concerned in the best interest of the Unitholders of the Scheme.
- The proceeds of sale realised in pursuance of the above, shall be first utilised towards discharge of such liabilities as are due and payable under the Scheme, and after meeting the expenses connected with such winding up, the balance shall be paid to Unitholders in proportion to their respective interest in the assets of the Scheme, as on the date the decision for winding up was taken.
- On completion of the winding up, the Trustee shall forward to SEBI and the Unitholders a report on the winding up, detailing the circumstances leading to the winding up, the steps taken for disposal of the assets of the Scheme before winding up, net assets available for distribution to the Unitholders and a certificate from the auditors of the Fund.
- Notwithstanding anything contained hereinabove, the application of the provisions of SEBI (Mutual Funds) Regulations, 1996 in respect of disclosures of half yearly reports and annual report shall continue until winding up is completed or the Scheme ceases to exist.
- After the receipt of the report referred above, if SEBI is satisfied that all measures for winding up of the Scheme have been completed, the Scheme shall cease to exist.



SUSPENSION OF REDEMPTION / REPURCHASE OF UNITS AND DIVIDEND DISTRIBUTION

The Mutual Fund at its sole discretion reserves the right to withdraw repurchase or switching of Units of the Scheme, temporarily or indefinitely, if in the opinion of the AMC, the general market conditions are not favourable 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 trustee. The AMC reserves the right in its sole discretion to withdraw the facility of switching out of the Scheme, temporarily or indefinitely. Further, the AMC & Trustee may also decide to temporarily suspend determination of NAV of the Scheme offered under this Document, and consequently redemption of Units, declaration and distribution of dividend in any of the following events:

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 is not reasonable, or would not reasonably be practicable without being detrimental to the interests of the Unitholders.
3. In the event of a 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 Unitholders of the Scheme.
5. In case of natural calamities, strikes, riots and bandhs.
6. In the event of any force majeure or disaster that affects the normal functioning of the AMC or the Registrar.
7. During the period of Book Closure.
8. If so directed by SEBI.

In the above eventualities, the time limits indicated above, for processing of requests for redemption of Units and/or distribution of dividend will not be applicable. Further an order to purchase units is not binding on and may be rejected by the Trustee, the AMC or their respective agents until it has been confirmed in writing by the AMC or its agents and payment has been received. The suspension or restriction of repurchase/redemption facility under the scheme shall be made applicable only after the approval of the Board of Directors of the Asset Management Company and the Trustee and the details of the circumstances and justification for the proposed action shall be informed to SEBI in advance.

Investors are requested to note that No Redemption/ repurchase of units shall be allowed in a close ended scheme prior to the maturity of the scheme. Unitholders who wish to exit may do so through the Stock Exchange mode.



C. General Information

UNDERWRITING BY THE FUND

Subject to the Regulations, the Scheme may enter into underwriting agreements only after the Fund obtains a certificate of registration in terms of the Securities and Exchange Board of India (Underwriters) Rules and Securities and Exchange Board of India (Underwriters) Regulations, 1993, authorising it to carry on activities as underwriters.

SECURITIES LENDING AND BORROWING BY THE MUTUAL FUNDS

Subject to the SEBI Regulations, the Mutual Fund may, engage in Securities Lending. Such investments shall be made when in view of the Fund Manager, such investments could provide reasonable returns commensurate with risks associated with such investments and shall be made in accordance with the investment objective of the Scheme. Securities Lending means the lending of Securities to another person or entity for a fixed period of time, at a negotiated compensation in order to enhance returns of the portfolio. The securities lent will be returned by the borrower on the expiry of the stipulated period. The lending transactions may require procurement of collateral which would exceed in value, the value of the 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. As with other modes of extensions of credit, there are risks inherent to securities lending, including the risk of failure of the other party, in this case the approved intermediary, to comply with the terms of the agreement entered into between the lender of securities i.e. the scheme and the approved intermediary. 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.

The Mutual Fund may not be able to sell such lent out securities and this can lead to temporary illiquidity.

The AMC with a view to protecting the interests of the investors, may increase exposure in stock lending activities as deemed fit from time to time.

If permitted by SEBI under extant regulations/guidelines, the scheme may also engage in stock borrowing. The Scheme may also enter into 'Repo/Reverse Repo' transactions, as may be permitted from time to time. Stock borrowing means the borrowing of stock from another person or entity for a fixed period of time, at a negotiated compensation. The securities borrowed will be returned to the lender on expiry of the stipulated period.

BORROWING BY THE MUTUAL FUND

Under the Regulations, the Fund is allowed to borrow to meet its temporary liquidity needs of the Fund for the purpose of repurchase, redemption of Units or payment of interest or dividend to the Unitholders. Further, as per the Regulations, the 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 Fund may raise such borrowings after approval by the Trustee from any of its Sponsors/Associate/Group companies/Commercial 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 Trustees.

Inter-Scheme Transfer of Investments

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.

Associate Transactions

Investment in Group Companies

IIFCL Mutual Fund(IDF) has, till date, not made investment in any of its Group Companies.

Additional Information pertaining to Dealing with associates

The AMC has entered into premise sharing agreement with its parent company IIFCL. Services of the group /associate companies have been used for outsourcing of certain other activities such as Human Resource, Administration, Advisory etc. (not an exhaustive list of activities).

Documents Available for Inspection

The following documents will be available for inspection at the Registered & Corporate Office of IAMCL at 301-312, 3rd Floor, Ambadeep Building, 14, Kasturba Gandhi Marg, New Delhi - 110001 during business hours on any day (excluding Saturdays, Sundays and public holidays):

- Memorandum and Articles of Association of the AMC
- Investment Management Agreement
- Trust Deed and amendments thereto, if any
- Mutual Fund Registration Certificate
- Agreement between the Mutual Fund and the Custodian
- Agreement with Registrar and Share Transfer Agents
- Consent of Auditors to act in the said capacity
- Consent of Legal Advisors to act in the said capacity
- Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments from time to time thereto.
- Indian Trusts Act, 1882.



Investor Grievances Redressal Mechanism

The Fund believes in providing the investors with a superior service to make the investors' experience in dealing with the Fund an efficient and satisfactory one. In order to achieve these goals, the Fund has set up an Investor Service Cell that ensures prompt response to all investor queries and grievances. For any queries, complaints or grievances, the investor can contact the Investor Service Cell at the following address:

Investor Services,
IIFCL Mutual Fund (IDF)
Ajay Pal Singh Saini
Head Company Secretariat & Compliances
301-312, 3rd Floor, Ambadeep Building,
14, Kasturba Gandhi Marg, new Delhi-110001
Phone Number: 91 11 4371 7125
Fax Number: 91 11 2344 5119
E-mail: complianceofficer@iifclmf.com

The IIFCL Mutual Fund (IDF) is a new Fund; hence there is no complaint history in last three years which needs to be disclosed.

Notwithstanding anything contained in this Statement of Additional Information, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines thereunder shall be applicable.



Registered & Corporate Office Address:

IIFCL Asset Management Company Limited (IAMCL)
{ Asset Management Company to IIFCL Mutual Fund (IDF) }
Corporate Office: 301-312, 3rd Floor, Amba Deep Building,
14, Kasturba Gandhi Marg, New Delhi – 110001
www.iifclmf.com