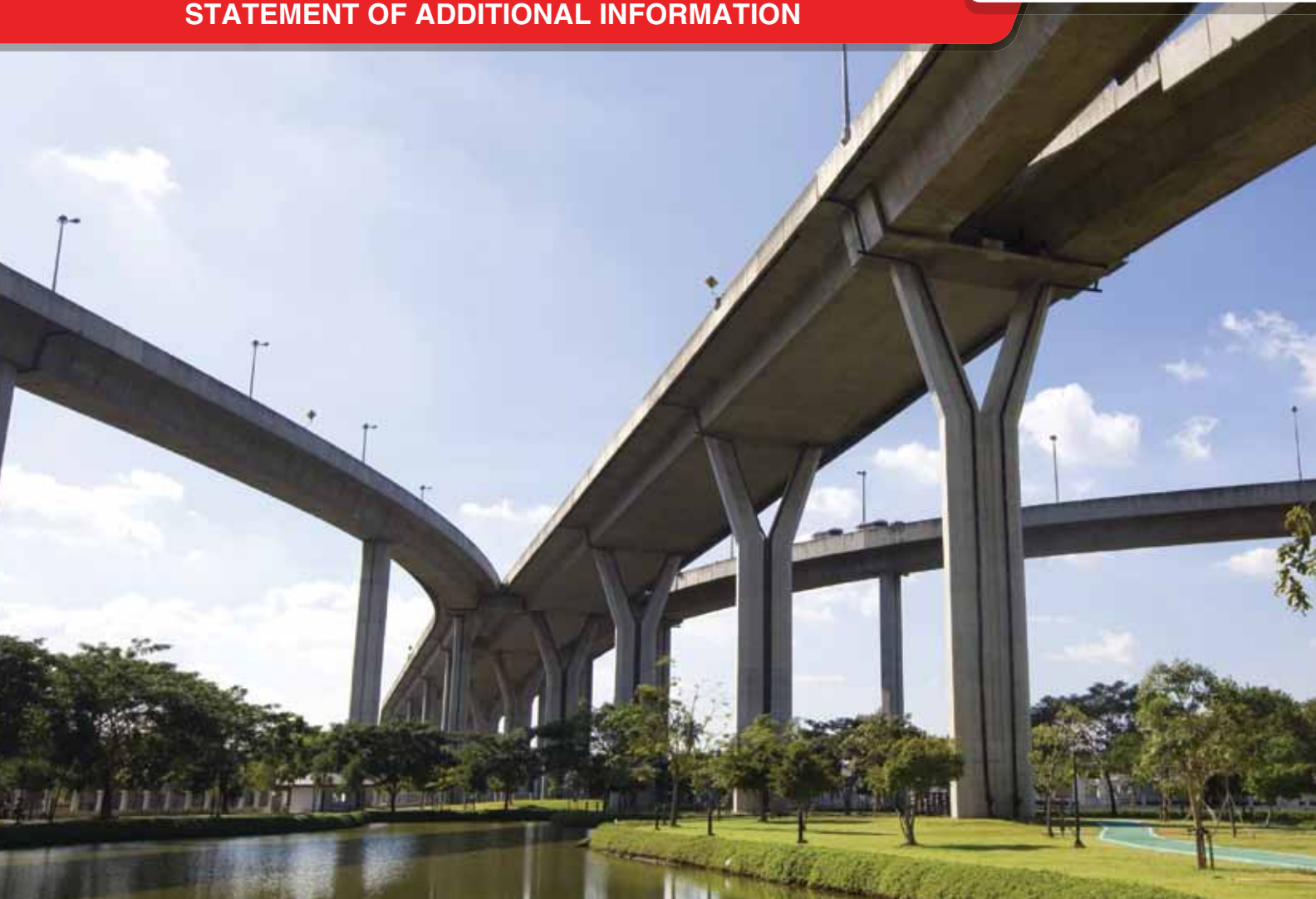


**SREI MUTUAL FUND (IDF)
STATEMENT OF ADDITIONAL INFORMATION**



Sponsor

Srei Infrastructure Finance Limited

Registered Office: Vishwakarma, 86C, Topsia Road (south), Kolkata-700046.

Trustee Company

Srei Mutual Fund Trust Private Limited

Registered Office: Vishwakarma, 86C, Topsia Road (south), Kolkata-700046

Corporate Office: Ground Floor, Executive Block, Paradise, 51K / 51L, Bhulabhai Desai Road, Breach Candy, Mumbai - 400 026.

Asset Management Company

Srei Mutual Fund Asset Management Private Limited

Registered Office: Vishwakarma, 86C, Topsia Road (south), Kolkata-700046.

Corporate Office: Ground Floor, Executive Block, Paradise, 51K / 51L, Bhulabhai Desai Road, Breach Candy, Mumbai - 400 026.

This Statement of Additional Information (SAI) contains details of Srei Mutual Fund (IDF), its constitution, and certain tax, legal and general information. It is incorporated by reference (is legally a part of the Scheme Information Documents/Placement Memorandum).

The SAI is dated January 10, 2014.

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I. INFORMATION ABOUT THE SPONSOR, AMC AND TRUSTEE COMPANIES

A. CONSTITUTION OF THE MUTUAL FUND

Srei Mutual Fund is sponsored by Srei Infrastructure Finance Limited, one of the leading infrastructure finance company in India. The Sponsor is the settlor of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1 Lakh to the Trustee, Srei Mutual Fund Trust Private Limited (SMFTPL) as the initial contribution towards the corpus of the Mutual Fund.

Srei Infrastructure Finance Limited 'SREI' having its registered Office at Vishwakarma, 86C, Topsia Road(south), Kolkata -700046 and holds 100% stake in Srei Mutual Fund Asset Management Private Limited (SMFAMPL).

Srei Mutual Fund, ("the Mutual Fund" or "the Fund") has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) on 7th August 2010. The trust deed has been registered under the Indian Registration Act, 1908. The Mutual Fund is registered with SEBI under Registration No.MF/070/12/02, dated November 15, 2012.

B. Sponsors

Srei Mutual Fund ("the Fund") was set up as a Trust sponsored by Srei Infrastructure Finance Limited. The sponsor is the settlor of the Mutual Fund Trust.

Srei Infrastructure Finance Limited (SREI)

Srei Infrastructure Finance Limited (Srei) is one of India's leading infrastructure institution, and has pioneered infrastructure finance in India since its inception in 1989. Srei Infrastructure Finance Limited has been classified by Reserve Bank of India as an Infrastructure Finance Company (NBFC-ND-SI) w.e.f March 31, 2011. India has only six IFCs on date. On September 26, 2011 Srei Infrastructure Finance Limited was notified as a Public Financial Institution by the Ministry of Corporate Affairs, Government of India, under Section 4A of the Companies Act. Srei equity shares are listed on NSE, BSE and Calcutta Stock Exchange Limited ('CSE'). Srei made a GDR issue (of USD 35 million) in 2005 and the GDR are listed on the London Stock Exchange ('LSE'). Srei has a 50-50 joint venture with BNP Paribas & Leasing Group called Srei Equipment Finance P Ltd. This is classified by RBI as an Asset Finance Company (AFC) (NBFC-ND-SI) and has over 30% share of the Indian market.

Srei is a Holistic Infrastructure Institution, constantly and consistently ideating to deliver innovative solutions in infrastructure space, thus playing a significant role in nation-building for over two decades, both in urban and rural India. Srei's businesses include Infrastructure Project Finance, Advisory and Development, Infrastructure Equipment Finance, Capital Market, Insurance Broking and Mutual Fund (Infrastructure Debt Fund). Srei has a pan India presence with a network of over 85 offices and has also replicated its business model overseas with two offices in Russia and one in Germany.

OPERATIONS OF SREI GROUP

Srei Group is involved in following businesses, categorised as Fund based and Fee based.

FUND BASED BUSINESS

Infrastructure Project Financing

The project finance segment of SREI provides customized financing to infrastructure projects and their sponsor companies. The company offers a complete range of financial services for infrastructure projects and is a niche player in the infrastructure space leveraging on its core expertise of asset-financing. Srei Project Finance Business maintained a positive business momentum despite a challenging macro-economic environment, during the financial year 2012-13 leading to a portfolio growth of 11% to Rs. 10,060 crore as on March 31, 2013 from Rs. 9,111 crore in 2011-12.

Infrastructure Project Development

Srei Infrastructure Project Development is a leading sponsor of highway concession in India. It has a robust portfolio of close to 5,500 Lane kms of Road Assets with a total capital cost of Rs. 11,631 crore. These lane kms are already commissioned or under implementation in consortium with reputed domestic and acclaimed international partners under PPP framework. These projects are a diversified mix of annuity and toll-based projects and have been awarded by the National Highway Authority of India (NHAI) under National Highways Development Programme (NHDP), Ministry of Road Transport & Highways and various State Governments.

Infrastructure Equipment Finance - Srei Equipment Finance Private Limited (Srei BNP Paribas)

Srei BNP Paribas, 50:50 joint venture between Srei Infrastructure Finance Limited and BNP Paribas Lease Group, entered into in the year 2007, is registered with the RBI as a non-deposit taking NBFC (Category - Asset Finance) and is in the business of equipment financing. Srei BNP Paribas has emerged as one of the major equipment financiers in India by specialising in the infrastructure and construction equipment and continues to grow with consistency and follows prudent credit practices. Catering to the equipment finance requirements of the infrastructure and mining industries, today it is the prominent player in this field in India.

FEE BASED BUSINESS

Project Advisory

Srei Project Advisory Business is involved in all major thrust areas of Infrastructure. It has been empanelled with the Prime Minister's Office (PPP Cell) of the Government of Bangladesh as Transaction Advisor for PPP Projects in Civil Accommodation

Infrastructure sector (economic zones, city infrastructure development, public buildings). It has also been empanelled by DMICDC as Transaction Advisors for a large stream of PPP projects in offering. With its proven credentials in Road, Bridge and Transportation sector, it has bagged a mandate from West Bengal State Rural Development Agency for Preparation of Detailed Project Reports on Rural Roads and Major Bridges on un-bridged gaps under PMGSY in West Bengal. In addition, it is now the Transaction Advisor for PPP Projects in Bihar for Infrastructure Development in Patna. Srei Advisory has also secured a major assignment in State of Maharashtra from Directorate of Medical Education and Research which envisages providing Transaction Advisory and Project Management Consultancy services for setting up of 14 Nursing Care Units on PPP.

Investment Banking

Srei Capital Markets Limited is one of the esteemed merchant bankers in India providing a wide gamut of services from IPOs, Delisting, Buy-Back, Open Offers, NCD / NCD Placement to private placements of Equity, Debt Syndication and M&A Advisory.

Insurance Broking

Srei Insurance Broking facilitates insurance services for corporates and individuals. They have expertise in assessing the insurance requirements of large and medium enterprises as well as individuals; recommending to them optimal products available in the market; and ensuring faster settlement of claims.

The Standalone financial performance of the Sponsor during the last 3 years is as under

(Rupees in lakh)

Particulars	31 st March 2011	31 st March 2012	31 st March 2013
Net worth	255313	258201	264754
Total Income	74624	118069	166647
Profit After Tax	13430	5796	9496

C. The Trustee:

Srei Mutual Fund Trust Private Limited

Srei Mutual Fund Trust Pvt. Ltd. (the Trustee), through its Board of Directors, shall discharge its obligations as Trustee of Srei Mutual Fund (IDF). The Trustee ensures that the transactions entered into by the AMC are in accordance with the SEBI (Mutual Funds) Regulations, 1996 and will also review the activities carried on by the AMC.

The registered address of Srei Mutual Fund Trust Private Limited is Vishwakarma, 86C, Topsia Road (south), Kolkata -700046 and the corporate office is 51K / 51L, Paradise, Ground Floor, Executive Block, Bhulabhai Desai Road, Breach Candy, Mumbai - 400026.

(i) Details of Trustee Director

Name	Age /Qualification	Brief Experience
Mr. P. B. Nimbalkar Independent Director	70 / B.Com, L.L.B, CAIIB	Mr. P. B. Nimbalkar is a Graduate in Commerce and Law. He was Chairman and Managing Director of Small Industries Development Bank of India (SIDBI) from January 2001 to February 2003 and Executive Director from 1996 to 2001. Mr. Nimbalkar has having more than 40 year of experience in Banking & Financial Service Sector. He started his career with Reserve Bank of India in 1968 and later served on various positions in IDBI from 1973 to 1990.
Mr. K. Sivaprakasam Independent Director	65 / B.Com, L.L.B, ACA, AICWA, CS(Inter), CAIIB	Mr. K. Sivaprakasam is a Commerce and Law Graduate and Associate Member of The Institute of Chartered Accountant of India and The Institute of Cost and Works Account of India. He was Managing Director of Credit Analysis and Research Ltd (CARE) from October 2005 to June 2008, Executive Director of IDBI Bank Ltd. from December 2002 to October 2005 and Chief General Manager from August 1999 to December 2002. Mr. Sivaprakasam was also the Managing Director of IDBI Investment Management Company Limited.
Mr. Arun L. Todarwal Independent Director	56 / B. Com, FCA	Mr. Arun L. Todarwal is a practicing Chartered Accountant with more than 30 years of experience in Management Consultancy, Audit, Taxations and Joint Ventures. He is a member of Institute of Internal Auditors, National Centre for Quality Management, Bombay Management Association and Bombay Chartered Accountants society. Mr. Todarwal is also a panel member of Registrar of Co - operative Societies and Official Liquidator, Mumbai High Court.

Name	Age /Qualification	Brief Experience
Mr. Shashi Bhushan Tiwari Associate Director	57/ B.Sc, LLB, DBM (IMC)	Mr. Shashi Bhushan Tiwari is a law graduate. He is Chief Operating Officer of Srei Infrastructure Finance Limited. Previously he worked in IDBI Bank Limited as Branch Manager. He is also a Director in Swach Environment Private Limited.

(ii) Rights, obligations, responsibilities and duties of the Trustee under the deed of Trust and the Regulations.

Pursuant to the Deed of Trust dated, 07th August 2010, constituting the Mutual Fund, and in terms of the Regulations, the rights, obligations, responsibilities and duties of the Trustee are as under:

- 1) The trustees and the asset management company shall with the prior approval of the Board enter into an investment management agreement.
- 2) The investment management agreement shall contain such clauses as are mentioned in the Fourth Schedule and such other clauses as are necessary for the purpose of making investments.
- 3) The trustees shall have a right to obtain from the asset management company such information as is considered necessary by the trustees.
- 4) The trustees shall ensure before the launch of any scheme that the asset management company, has,—
 - a) systems in place for its back office, dealing room and accounting;
 - b) appointed all key personnel including fund manager(s) for the scheme(s) and submitted their bio-data which shall contain the educational qualifications, past experience in the securities market with the trustees, within 15 days of their appointment;
 - c) appointed auditors to audit its accounts;
 - d) appointed a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Board or the Central Government and for redressal of investors grievances;
 - e) appointed registrars and laid down parameters for their supervision;
 - f) prepared a compliance manual and designed internal control mechanisms including internal audit systems;
 - g) specified norms for empanelment of brokers and marketing agents;
 - h) obtained, wherever required under these regulations, prior in principle approval from the recognised stock exchange(s) where units are proposed to be listed.
- 5) The compliance officer appointed under clause (d) of sub-regulation (4) shall immediately and independently report to the Board any non-compliance observed by him.
- 6) The trustees shall ensure that an asset management company has been diligent in empanelling the brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with any broker.
- 7) The trustees shall ensure that the asset management company has not given any undue or unfair advantage to any associates or dealt with any of the associates of the asset management company in any manner detrimental to interest of the unitholders.
- 8) The trustees shall ensure that the transactions entered into by the asset management company are in accordance with these regulations and the scheme.
- 9) The trustees shall ensure that the asset management company has been managing the mutual fund schemes independently of other activities and have taken adequate steps to ensure that the interest of investors of one scheme are not being compromised with those of any other scheme or of other activities of the asset management company.
- 10) The trustees shall ensure that all the activities of the asset management company are in accordance with the provisions of these regulations.
- 11) Where the trustees have reason to believe that the conduct of business of the mutual fund is not in accordance with these regulations and the scheme they shall forthwith take such remedial steps as are necessary by them and shall immediately inform the Board of the violation and the action taken by them.
- 12) Each trustee shall file the details of his transactions of dealing in securities with the Mutual Fund on a quarterly basis.
- 13) The trustees shall be accountable for, and be the custodian of, the funds and property of the respective schemes and shall hold the same in trust for the benefit of the unitholders in accordance with these regulations and the provisions of trust deed.

- 14) The trustees shall take steps to ensure that the transactions of the mutual fund are in accordance with the provisions of the trust deed.
- 15) The trustees shall be responsible for the calculation of any income due to be paid to the mutual fund and also of any income received in the mutual fund for the holders of the units of any scheme in accordance with these regulations and the trust deed.
- 16) The trustees shall obtain the consent of the unitholders—
 - a) whenever required to do so by the Board in the interest of the unitholders; or
 - b) whenever required to do so on the requisition made by three-fourths of the unitholders of any scheme; or
 - c) when the majority of the trustees decide to wind up or prematurely redeem the units.
- 17) The trustees 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 unitholders, shall be carried out unless,—
 - (i) a written communication about the proposed change is sent to each unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the mutual fund is situated; and
 - (ii) the unitholders are given an option to exit at the prevailing Net Asset Value without any exit load.
- 18) The trustees shall call for the details of transactions in securities by the key personnel of the asset management company in his own name or on behalf of the asset management company and shall report to the Board, as and when required.
- 19) The trustees shall quarterly review all transactions carried out between the mutual funds, asset management company and its associates.
- 20) The trustees shall quarterly review the networth of the asset management company and in case of any shortfall, ensure that the asset management company make up for the shortfall as per clause (f) of sub-regulation (1) of regulation 21.
- 21) The trustees shall periodically review all service contracts such as custody arrangements, transfer agency of the securities and satisfy itself that such contracts are executed in the interest of the unitholders.
- 22) The trustees shall ensure that there is no conflict of interest between the manner of deployment of its networth by the asset management company and the interest of the unit- holders.
- 23) The trustees shall periodically review the investor complaints received and the redressal of the same by the asset management company.
- 24) The trustees shall abide by the Code of Conduct as specified in the Fifth Schedule.
- 25) The trustees shall furnish to the Board on a half-yearly basis,—
 - a) a report on the activities of the mutual fund;
 - b) a certificate stating that the trustees have satisfied themselves that there have been no instances of self-dealing or front running by any of the trustees, directors and key personnel of the asset management company;
 - c) a certificate to the effect that the asset management company has been managing the schemes independently of any other activities and in case any activities of the nature referred to in sub-regulation (2) of regulation 24 have been undertaken by the asset management company and has taken adequate steps to ensure that the interests of the unitholders are protected.
- 26) The independent trustees referred to in sub-regulation (5) of regulation 16 shall give their comments on the report received from the asset management company regarding the investments by the mutual fund in the securities of group companies of the sponsor.
- 27) Trustees shall exercise due diligence as under :
 - A. General Due Diligence:**
 - i. The Trustees shall be discerning in the appointment of the directors on the Board of the asset management company.
 - ii. 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.
 - iii. The Trustee shall ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons.

- iv. The Trustee shall ensure that all service providers are holding appropriate registrations from the Board or concerned regulatory authority.
- v. The Trustees shall arrange for test checks of service contracts.
- vi. Trustees shall immediately report to the Board of any special developments in the mutual fund.

B. Specific due diligence:

The Trustees shall:

- i. obtain internal audit reports at regular intervals from independent auditors appointed by the Trustees,
 - ii. obtain compliance certificates at regular intervals from the asset management company,
 - iii. hold meeting of trustees more frequently,
 - iv. consider the reports of the independent auditor and compliance reports of asset management company at the meetings of trustees for appropriate action,
 - v. maintain records of the decisions of the Trustees at their meetings and of the minutes of the meetings,
 - vi. prescribe and adhere to a code of ethics by the Trustees, asset management company and its personnel,
 - vii. communicate in writing to the asset management company of the deficiencies and checking on the rectification of deficiencies.
- 28) Notwithstanding anything contained in sub-regulations (1) to (25), the trustees shall not be held liable for acts done in good faith if they have exercised adequate due diligence honestly.
- 29) The independent directors of the trustees or asset management company shall pay specific attention to the following, as may be applicable, namely:—
- i. the Investment Management Agreement and the compensation paid under the agreement,
 - ii. service contracts with affiliates—whether the asset management company has charged higher fees than outside contractors for the same services,
 - iii. selections of the asset management company's independent directors,
 - iv. securities transactions involving affiliates to the extent such transactions are permitted,
 - v. selecting and nominating individuals to fill independent directors vacancies,
 - vi. code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions,
 - vii. the reasonableness of fees paid to sponsors, asset management company and any others for services provided,
 - viii. principal underwriting contracts and their renewals,
 - ix. any service contract with the associates of the asset management company.
- 30) To maintain arms' length relationship with other companies, or institution or financial intermediaries or any body corporate with which he may be associated.
- 31) To ensure that no Trustee shall participate in the meetings of the board of Trustee or Trustee Company when any decisions for investments in which he may be interested are taken.
- 32) To furnish to the board of Trustee or trustee company 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.
- 33) To appoint a custodian and shall be responsible for the supervision of its activities in relation to the mutual fund and shall enter into a custodian agreement with the custodian for this purpose.
- 34) To ensure that the removal of trustees in all case would require the prior approval of SEBI.
- 35) To forbid the acquisition of any asset out of the trust property which involves the assumption of any liability which is unlimited and shall not result in encumbrance of the trust property in any way.
- 36) To provide or cause to provide information to unitholders and SEBI as may be specified by SEBI.
- 37) The Trustee may dismiss the AMC under the specific events only with the approval of SEBI and in accordance with the SEBI Regulations.
- 38) The appointment of an asset management company can be terminated by majority of the trustees or by seventy-five per cent of the unitholders of the scheme.

(iii) Modification of Trust Deed

No amendment on trust deed will be carried out without the prior approval of the SEBI and the unit holder's approval would be obtained where it affects the interest of unit holders.

C. Asset Management Company

Srei Mutual Fund Asset Management Private Limited (SMFAMPL) has been incorporated under the provisions of the Companies Act, 1956 on 27th November 2009. The company is a wholly owned subsidiary of Srei Infrastructure Finance Limited. The registered office of the Srei Mutual Fund Asset Management Private Limited is Vishwakarma, 86C, Topsia Road(South), Kolkata- 700046 and the Corporate office at 51K / 51L, Paradise, Ground Floor, Executive Block, Bhulabhai Desai Road, Mumbai – 400026.

Srei Mutual Fund Asset Management Private Limited has been appointed as the Asset Management Company by the Board of Trustees of Srei Mutual Fund vide Investment Management Agreement (IMA) dated 24th December 2011, and SEBI has vide letter no. OW /25525/2012 dated November 15, 2012 SEBI has grant approval to Srei Mutual Fund Asset Management Private Limited to act as Asset Management Company for Srei Mutual Fund (IDF).

The AMC manages the schemes of the Fund, in accordance with the provisions of the Investment Management Agreement, the Trust Deed, the Regulations and the objectives of each of the schemes.

(i) Details of AMC Directors:

Name	Age/Qualification	Brief Experience
Mr. P. Krishnamurthy Independent Director	65/B.Com, ACA	Mr. P. Krishnamurthy was Executive Chairman and Director of SKIL Infrastructure Limited and Vice Chairman of JM Morgan Stanley Pvt. Ltd. He has more than 35 years of experience in Financial / Management Consultancy, Financial Services, Infrastructure Financing, Venture Capital, Corporate Management and Strategy, Restructuring, M&A, Internal Business and Joint Ventures, Financial Management and Banking including managing and supervising business units in India and abroad. He is on Board of Companies like SICOM, GMM Pfaudler Limited, Urban Infrastructure Ventures Limited, Mumbai Integrated SEZ Limited, Apodis Hotels & Resorts Limited, J.M. Financial & Investment Consultancy Services Limited, Repro India Limited.
Mr. M. M. Agrawal Independent Director	62/ B.E, CAIIB Part- I	Mr. M. M. Agrawal was Dy. Managing Director of Axis Bank Limited. He also served as Executive Director and President (Capital Market) of Axis Bank Limited. He has more than 35 years of experience in Banking and Financial services. He is also on the Board of various companies.
Dr. Tapan Kumar Mukhopadhyay Independent Director	64 / B.Sc (Hons.), B.Tech, M. Tech, PGDBM, PhD. (Tech.)	Dr. Tapan Kumar Mukhopadhyay was Chief General Manager at IDBI Bank Limited and former Chairman of North Eastern Industrial Consultants Limited, Agartala. He has served as Director on the Board of several State Financial Industrial Development Corporations and Public Limited Companies. He has more than 30 years of experience in project appraisal, project financing and project management and is also a director of Sangam (India) Limited.
Mr. Ajeet Prasad Independent Director	58 / B.Sc, MBA	Mr. Ajeet Prasad was Managing Director and CEO of ASREC (India) Limited from August 2005 to July 2009. He also headed the Special Recovery Group and Investment Monitoring Function of UTI from November 1998 to August 2005. He has more than 32 years of experience in Banking Operation, implementation of financial services and designing strategies. He is a regular speaker at number of seminars on Capital Market e.g. AIC Euromoney, Institute of Chartered Accountants of India, Institute of Company Secretaries of India, IIM, UTI Institute of Capital Market, National Institute of Bank Management etc. Mr. Ajeet Prasad is also a Director of Kesar Enterprises Limited.
Mr. Sanjeev Sancheti Associate Director	46 / B. Com, ACA, AICWA	Mr. Sanjeev Sancheti is Group Head- Corporate Strategy and Planning of Srei Infrastructure Finance Limited. Previously he worked with Temba Shipyard Limited as CFO, Chennai Container Terminal Pvt. Ltd as General Manager – Accounts & Finance. He is also a Director in various companies.

Name	Age/Qualification	Brief Experience
Mr. Murli Manohar Khemka Associate Director	39 / B.Sc, MMS	Mr. Murli Manohar Khemka works in the capacity of Senior Vice President, Corporate Planning & Strategies of Srei Infrastructure Finance Limited. He has more than 12 years of experience on Strategy & Planning, M&A, group financial planning & strategies, operational control & wealth Management. He is also a Director of Wideways Consultancy Private Limited.
Mr. Shailesh K Pathak Associate Director	48/B. Com from SRCC, PGDM-IIM Calcutta, L.L.B ,Diploma in Business Finance	Mr. Shailesh K Pathak is Commerce and Law graduate and also did PGDM from IIM Calcutta. Mr. Pathak is President of Srei Infrastructure Finance Limited. Previously he has worked with ICICI group for 6 years including senior Director of ICICI Venture, IDFC as Head of PPM and 16 years in Indian Administrative Services. In government assignment he served as Managing Director of the Madhya Pradesh State Infrastructure Development Corporation as well as the Secretary in the Public Works Department (PWD). He has more than 27 years of experience in Financial Services, Infrastructure and Government Services.

(ii) Duties and Obligation of Asset Management Company

Duties and obligation of the AMC as specified in the SEBI Mutual Fund Regulations are as under:

1. The asset management company shall lay down an adequate system of internal controls and risk management.
2. The asset management company shall exercise due diligence in maintenance of the assets of an infrastructure debt fund scheme and shall ensure that there is no avoidable deterioration in their value.
3. The asset management company shall record in writing, the details of its decision making process in buying or selling infrastructure companies' assets together with the justifications for such decisions and forward the same periodically to trustees.
4. The asset management company shall ensure that investment of funds of the Infrastructure Debt Fund schemes is not made contrary to provisions of this chapter and the trust deed.
5. The asset management company shall obtain, wherever required under these regulations, prior in-principle approval from the recognized stock exchange(s) where units are proposed to be listed.
6. The asset management company shall institute such mechanisms as to ensure that proper care is taken for collection, monitoring and supervision of the debt assets by appointing a service provider having extensive experience thereof, if required.
7. The asset management company shall be responsible for the acts of commissions or omissions by its employees or the persons whose services have been procured by the asset management company.
8. The asset management company shall submit to the trustees quarterly reports of each year on its activities and the compliance with these regulations.
9. The trustees at the request of the asset management company may terminate the assignment of the asset management company at any time:
Provided that such termination shall become effective only after the trustees have accepted the termination of assignment and communicated their decision in writing to the asset management company.
10. Notwithstanding anything contained in any contract or agreement or termination, the asset management company or its directors or other officers shall not be absolved of liability to the mutual fund for their acts of commission or omissions, while holding such position or office.
11. The Chief Executive Officer (whatever his designation may be) of the asset management company shall ensure that the mutual fund complies with all the provisions of the regulations and the guidelines or circulars issued in relation thereto from time to time and that the investments made by the fund managers are in the interest of the unit holders and shall also be responsible for the overall risk management function of the mutual fund.
Explanation: For the purpose of this sub-regulation, the words 'these regulations' shall mean and include the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time.
12. a. An asset management company shall not through any broker associated with the sponsor, purchase or sell securities, which is average of 5% or more of the aggregate purchases and sale of securities made by the mutual fund in all its schemes.

Provided that for the purpose of this sub-regulation, aggregate purchase and sale of securities shall exclude sale and distribution of units issued by the mutual fund.

Provided further that the aforesaid limit of 5% shall apply for a block of any three months.

- b. An asset management company shall not purchase or sell securities through any broker [other than a broker referred to in clause (a) of sub-regulation (7)] which is average of 5% or more of the aggregate purchases and sale of securities made by the mutual fund in all its schemes, unless the asset management company has recorded in writing the justification for exceeding the limit of 5% and reports of all such investments are sent to the trustees on a quarterly basis.

Provided that the aforesaid limit shall apply for a block of three months.

13. An asset management company shall not utilise the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities:

Provided that an asset management company may utilise such services if disclosure to that effect is made to the unit holders and the brokerage or commission paid is also disclosed in the half yearly annual accounts of the mutual fund.

Provided further that the mutual funds shall disclose at the time of declaring half-yearly and yearly results;

- a) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies,
 - b) Devolvement, if any,
 - c) Subscription by the schemes in the issues lead managed by associate companies
 - d) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager.
14. The asset management company shall file with the trustees the details of transactions in securities by the key personnel of the asset management company in their own name or on behalf of the asset management company and shall also report to the Board, as and when required by the Board.
 15. In case the asset management company enters into any securities transactions with any of its associates a report to that effect shall be sent to the trustees at its next meeting.
 16. In case any company has invested more than 5 per cent of the net asset value of a scheme, the investment made by that scheme or by any other scheme of the same mutual fund in that company or its subsidiaries shall be brought to the notice of the trustees by the asset management company and be disclosed in the half yearly and annual accounts of the respective schemes with justification for such investment provided the latter investment has been made within one year of the date of the former investment calculated on either side.
 17. The asset management company shall file with the Trustee and the Board –
 - a) Detailed bio-data of all its directors along with their interest in other companies within fifteen days of their appointment; and
 - b) Any change in the interests of directors every six months.
 - c) A quarterly report to the trustees giving details and adequate justification about the purchase and sale of the securities of the group companies of the sponsor or the asset management company as the case may be, by the mutual fund during the said quarter.
 18. All transactions done by the trustees or the employees or directors of the asset management company or the trustee company in the investee companies shall be disclosed by them to the compliance officer within one month of the transaction.
 19. The asset management company shall not appoint any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.
 20. The asset management company shall appoint registrars and share transfer agents who are registered with the Board.

Provided if the work relating to the transfer of units is processed in-house, the charges at competitive market rates may be debited to the scheme and for rates higher than the competitive market rates, prior approval of the trustees shall be obtained and reasons for charging higher rates shall be disclosed in the annual accounts.
 21. The asset management company shall abide by the Code of Conduct as specified in the Fifth Schedule.

Further the Asset Management Company shall ensure the following

 - a) Not to acquire any of the assets out of the Scheme property which involves the assumption of any liability which is unlimited or which may result in encumbrance of the Scheme property in any way.

- b) Not to take up any activity in contravention of the SEBI Regulations.
- c) To ensure that no loss or damage or expenses incurred by the AMC or officers of AMC or any person delegated by the AMC, shall be met out of the trust property.

(iii) Key Personnel of Investment Manager.

Name & designation	Age / Qualification	Brief Experience
Mr. Mohit Sachdev Chief Executive Officer	47 Years / B Tech – IIT Delhi, PGDM – IIM Bangalore	He has over 23 years of experience in Financial Services. Prior to this he was employed with the below organizations L&T Investment Management Ltd as SVP and CMO – Heading the Sales, Marketing and Products Function UTI AMC Ltd as President responsible for the Institutional Business ILFS AMC – as Head of Institutional Sales
Mr. K. Vishwanath Head - Operations & Customer Services	38 Years / B.Com, PGDBA	He has over 15 years of experience in Operations of Financial Services. Prior to this he was employed with the below organizations: HDFC Bank Ltd. as Deputy Vice President Custody & Fund Services Deutsche Bank AG, Singapore as AVP – Product Management Asia & MENA IDFC AMC Pvt. Ltd. (Formerly Standard Chartered AMC Pvt. Ltd.) as AVP Operations
Mr. Krishna Chaitanya K Senior Fund Manager	35 Years / PGDBM, B.Tech	He has over 12 years of experience in Corporate finance, Investment Banking and Private equity in the Infrastructure space. Prior to this he was employed with the below organization Actis Advisory (P) Limited as an Investment Principal. Globeleq Generation Limited as Business Development Manager, Asia. II&FS as as Assistant Manager. Prior to that he worked with Tata Consultancy Services, Essar Oil and Essar Power.
Mr. Jude J Abraham Sr. Vice President - Sales & Marketing	37 / B.A (Economics), PGDM	He has over 14 year of experience in Sales and Marketing of Mutual Funds. Prior to this he was employed with the below organization Taurus AMC Ltd as National Head (Institutional Sales) L & T AMC Ltd as Associate Vice President (Institutional Sales – West & South) Mirae Asset Management Ltd as Regional Head – West (Institutional Sales) ICICI Prudential AMC Ltd as Regional Head – south (Institutional Sales)
Mr. K K Kushwaha Company Secretary, Compliance & Risk Officer	37 Years / B.Com, ACS	He has over 10 years of experience in the field of Secretarial, Legal and Compliance. Prior to this he has worked with KJMC AMC Ltd and Baroda Pioneer Asset Management Company Limited. Prior to that he worked for Rotographics (India) Limited and M/s K. K. Singh & Associates.

(iv) Procedures followed for Investment decisions

The process of approval of transactions is done by the investment committee(IC). All investment policies will be monitored by the Investment Committee. The IC comprises of the CIO and / or Fund Manager and / or Head of Fund Management, CEO and the Compliance officer (if required on invitation). The investment committee holds periodic meetings for a detailed review of investment strategy, portfolio holdings, review of research and dealing activities, analysis of scheme

performances and also to ensure adherence to all internal guidelines, processes and to monitor the risk parameters of the schemes. The committee will meet monthly or more frequently as may be necessary to transact business.

Internal Auditors periodically check the limits and their reports are placed before the Audit Committee of the Trustee Company. All the deals, both primary and secondary market are reported periodically to the investment committee and the Board of Trustees.

(v) Investors Services Please Contact:

SREI Mutual Fund (IDF)
51K / 51L, Paradise,
Ground Floor, Executive Block
Bhulabhai Desai Road, Breach Candy,
Mumbai – 400026.
Tel. No.91-22-66284201
Fax No.91-22-66284208
E-mail: mfinvestorservices@srei.com

E. Service Providers

Custodian

M/s Deutsche Bank A.G.(SEBI Registration Number:IN/CUS/003) situated at Kodak House, 222, Dr. D. N. Road, Fort, Mumbai 400 001 is the custodian for all the Schemes of Srei Mutual Fund(IDF).The important duties and obligations of the Custodians in terms of Custodial Agreement entered with them are as under:

All securities / investments of the Schemes shall be in the custody of the Custodian.

The Custodian will deliver / receive securities directly to and from the counter parties and shall receive or make payment on receipt of written instructions from Srei Mutual Fund (IDF) or any other person authorised by SREI Mutual Fund (IDF).

The Custodian will be responsible for loss or damage to the securities due to its negligence or negligence of its employees and approved agents.

The Custodian will ensure smooth inflow / outflow of securities and such other instruments as and when necessary in the best interest of the investors. The Custodian will ensure that all corporate benefits due on the holdings are recovered.

The Custodian is entitled to a remuneration for its services in accordance with the terms of the existing Custodial Agreement which inter alia provides that the custodian will charge the Schemes a fee at agreed rates apart from reimbursement of out of pocket expenses.

Registrar and Transfer Agents

M/s Karvy Computershare Private Limited having its registered office at 46, Road No 4, Street No 1, Banjara Hills, Hyderabad 500 034 have been appointed as the Registrars and Transfer Agents for the Schemes.

The Board of Trustees of SREI Mutual Fund (IDF) and SREI Mutual Fund Asset Management Pvt. Ltd. have ensured that the Registrars are registered with SEBI having valid certificate and also adequate facilities to discharge the responsibilities with regard to processing of applications, dispatch of Account Statement/Unit certificates to Unit holders within the time limit prescribed by SEBI (Mutual Funds) Regulations, 1996 and also have sufficient capacity to handle investors' complaints. It has also been ensured that M/s Karvy Computershare Private Limited, R & T agent has adequate facilities, processes, etc. to address risk management issues prescribed by SEBI. The Registration Number of M/s Karvy Computershare Private Limited is INR000000221.

Statutory Auditors

Auditors of the Srei Mutual Fund (IDF)

M/s B S R & Co. LLP, Chartered Accountants, having their office at Lodha Excelus, 1st Floor, Apollo Mills Compound, N. M. Joshi Marg, Mahalakshmi, Mumbai -400011 have been appointed as the Statutory Auditor of Srei Mutual Fund (IDF).

Legal Counsel

Based on the issue on hand, the AMC will appoint appropriate legal counsel on a case to case basis.

Fund Accountant

M/s Deutsche Bank A.G., Mumbai Branch having office at Kodak House, 222, Dr. D. N. Road, Fort, Mumbai 400 001 are appointed as the fund accountants for all the Schemes of SREI Mutual Fund(IDF).

Collecting Bankers

For Collecting Bankers to NFOs/Private Placement Offer, please refer Scheme Information Document/Private Placement Memorandum of the respective scheme.

F. CONDENSED FINANCIAL INFORMATION

As the AMC / Mutual Fund has not launched any scheme till the date of SAI, this is not applicable

II. HOW TO APPLY

This section should be read in conjunction with the section 'Units and Offer' of the respective SIDs/Placement Memorandum.

- For close - ended scheme(s) launched by the Fund from time to time, investors can subscribe to the units only during the NFO/Private Placement Offer period. However, the units of all close ended schemes will be listed on a recognized stock exchange. Unit holders holding the units by way of an account statement (physical form) will not be able to redeem their units during the tenor of the Scheme. However units held in dematerialized form can be traded on the Stock Exchange.
- The application forms (forming part of the Key Information Memorandum (KIM)) or common transaction forms for the purchase of units of the Scheme(s) will be available and accepted at all the Official Points of Acceptance namely the Collecting Bank Branches (during the NFO period), AMC Branches, Registrar's CSCs, Distributors (with which the Fund and RTA would have an arrangement from time to time) through any electronic form that the AMC will utilize from time to time, Fund's Distributors/Channel Distributors and AMFI Certified Stock Exchange Brokers / Clearing Members (as and when the facility to purchase / redeem units of the Scheme(s) through Stock Exchange Mechanism is provided by the AMC) , during their business hours on their respective business days or any other source as may be decided by the AMC from time to time.
- Application forms in case of NFO (forming part of the KIM) are also available on our website at www.sreimf.com. Investors are advised to use the other standard forms available at the CSCs or the website of the Fund, for any financial / non-financial transactions.
- During the NFO, investors can also subscribe to the units of the scheme(s) through the ASBA process, explained in detail under the section 'Additional mode of payment through Applications Supported by Blocked Amount ("ASBA")'.
- For investors' convenience, the Mutual Fund also provides additional facilities for transaction in units, explained below in detail under the heading 'Additional facilities' in this section.

While applying for purchase of units in the Scheme(s), Investors should note the following:

- All subscription cheques / drafts / other payment instruments (Pay Order, banker's cheque etc) must be drawn in favour of the Scheme in which the investor proposes to invest and should be crossed "Account Payee only".
- Each application must be accompanied by a separate cheque or Demand Draft or such other payment instruments or / electronic transfer of funds by way of direct credit / RTGS / NEFT. Further, for investments under different Schemes / Plans / Options, separate cheques / DDs / other payment instruments should be attached. Single cheque of a consolidated amount for more than one application / Scheme / Plan / Option or multiple cheques / drafts for investment in a particular Scheme / Plan / Option will not be accepted.
- The Cheque / DD should be payable locally at the centre where the Application is submitted. The Cheque / DD should be drawn on any Bank which is situated at and is a member / sub-member of the Bankers' Clearing House, located at the place where the application is submitted. Cheques / DDs drawn on a Bank not participating in the Clearing House will not be accepted.
- Applicants need to specify the 'mode of holding' in the Application Form as given below:
 - a) In case of sole applicant, the mode of holding should be specified as "Single"
 - b) In case of two or more applicants (maximum permitted being three applicants), the mode of holding should be specified as 'Joint" or "Anyone or Survivor"
 - c) In case of account / folio opened on behalf of a minor, the minor shall be the first and the sole holder in the account / folio.
 - d) There shall not be any joint accounts with minor as the first or joint holder.

If mode of holding is specified as 'Joint", all transactions / instructions will have to be signed by all the joint unit holders, while for mode of holding specified as "Anyone or Survivor", all transactions / instructions may be signed by any one of the unitholders. However, in all such cases, the dividend / redemption proceeds will be paid to the first named applicant / unitholder (as determined by the records of the RTA). Further, the first named unitholder shall receive the account statements, all notices and correspondences with respect to the folio, or dividends or other distributions and also have the voting rights, as permitted, associated with such units.

Service of a notice on or delivery of a document to any one of several joint Unit holders shall be deemed effective service on or delivery to the other joint Unit holders. Any notice or document so sent by post to or left at the address of a Unit holder appearing in the Register shall notwithstanding that such Unit holder be then dead or bankrupt and whether or not the Trustee or the AMC has notice of such death or bankruptcy be deemed to have been duly served and such service shall be deemed a sufficient service on all persons interested (whether jointly with or as claiming through or under the Unit holder) in the Units concerned.

Investors are advised to go through the sections titled 'Transfer and Transmission of Units' and 'Nomination Facility' before selecting the relevant box pertaining to the mode of holding in the Application Form.

If the mode of holding is not specified by the Investors in the Application Form or is unclear, it will be treated as "Joint", where there are two or more applicants.

- Investors should provide the details / fill the form only in the space / boxes provided in the relevant forms. Any details / information / instruction provided at a non-designated area of the standard form being used, or any additional details for which space is not designated in the standard form, may not be executed by the AMC.
- It is expressly understood that at the time of investment, the investor / unitholder has the express authority to invest in units of the Scheme and the AMC / Trustee / Mutual Fund will not be responsible if such investment is ultravires the relevant constitution. Subject to the Regulations, the AMC / Trustee may reject any application received in case the application is found invalid / incomplete or for any other reason in the AMC's / Trustee's sole discretion.
- Dishonored cheques are liable not to be presented again for collection, and the accompanying application forms are liable to be rejected.
- The Trustee, reserves the right to recover from an investor any loss caused to the Scheme on account of dishonour of cheques issued by the investor for purchase of Units of this Scheme.
- For subscription in the Scheme, it is mandatory for investors to make certain disclosures like bank details etc. and provide certain documents like PAN copy etc. without which the application is liable to be rejected.
- The AMC and the Trustee reserve the right to disclose the details of the investors and their transactions to banks, couriers, any other person/ organisation for the purpose of transaction confirmations and / or execution, redemption payouts, data validations, compliance with legal and regulatory requirements or for complying with anti-money laundering requirements.
- Subject to the SEBI (MF) Regulations, any application for units of this Scheme may be accepted or rejected in the sole and absolute discretion of the Trustee / AMC. The Trustee / AMC may inter-alia reject any application for the purchase of units if the application is invalid or incomplete or if the Trustee for any other reason does not believe that it would be in the best interest of the Scheme or its unitholders to accept such an application.
- Applications must be completed in block letters in English. Signatures should be in English or in any Indian language specified in the Eight Schedule of the Constitution of India. Thumb impressions (left hand for males and right hand for females) and signatures in languages not specified in the Eight Schedule of the constitution of India should be attested by a magistrate or a Notary Public or a special Executive Magistrate under his / her official seal.
- If the investor wishes to invest directly, i.e. without involving the services of any agent or broker, "DIRECT" should be mentioned in the space provided for "ARN Number" in the application form. Any subsequent change/update/removal of broker code will be based on the written request from the Unit holder and will be on a prospective basis only from the date when the Registrar executes such written instruction.
- Applications should be made in adherence to the minimum requirements pertaining to the minimum purchase amounts.
- The investors should ensure that the amount invested in the Scheme is through legitimate sources only and does not involve and are not designed for the purpose of any contravention or evasion of any act, rules, regulations, notifications or directions of the provisions of Income Tax Act, Prevention of Money Laundering Act, and / or any other applicable laws enacted by the Government of India from time to time.

A. Who can invest?

1. Strategic Investor

Strategic Investor means;

- (i) an Infrastructure Finance Company registered with Reserve bank of India as Non Banking Financial Company;
- (ii) a Scheduled Commercial Bank;
- (iii) International Multilateral Financial Institution;
- (iv) Systemically Important Non Banking Financial Companies registered with Reserve Bank of India;
- (v) Foreign Institutional Investors registered with the Board, subject to their applicable investment limits, which are long term investors in terms of the norms specified by SEBI.

The following categories of FIIs are designated as long term investors for the purpose of IDF:

- a. Foreign Central Banks
- b. Governmental Agencies
- c. Sovereign Wealth Funds
- d. International/Multilateral Organizations/ Agencies
- e. Insurance Funds

f. Pension Funds

The strategic investors shall contribute an amount of at least Rupees twenty five crores to the Schemes launched by Srei Mutual Fund (IDF) before the allotment of units of the scheme are marketed to other potential investors. The Strategic investors shall be treated at par to the other investor of the Schemes launched by Srei Mutual Fund (IDF).

2. **Other Investor**

- a. Indian resident adult individuals either singly or jointly (not exceeding three) or on an Anyone or Survivor basis;
- b. Hindu Undivided Family (HUF) through Karta of the HUF;
- c. Minor through parent / legal guardian(please see the note below);
- d. Partnership Firms and Limited Liability Partnerships (LLPs);
- e. Proprietorship in the name of the sole proprietor;
- f. Companies, Bodies Corporate, Public Sector Undertakings (PSUs), Association of Persons (AOP) or Bodies of Individuals (BOI) and societies registered under the Societies Registration Act, 1860;
- g. Banks (including Co-operative Banks and Regional Rural Banks) and Financial Institutions;
- h. Mutual Funds registered with SEBI;
- i. Religious and Charitable Trusts, Wakfs or endowments of private trusts (subject to receipt of necessary approvals as required) and private trusts authorised to invest in mutual fund schemes under their trust deeds;
- j. Non-Resident Indians (NRIs) / Persons of Indian origin (PIOs) residing abroad on repatriation basis or on non-repatriation basis;
- k. Foreign Institutional Investors (FIIs) and their subaccounts registered with SEBI on repatriation basis; Sovereign Wealth Funds, Pension Funds and Insurance Funds can also invest as a sub account of existing FIIs;
- l. Qualified Foreign Investors (QFIs) who meet KYC requirement
- m. Army, Air Force, Navy and other para-military units and bodies created by such institutions;
- n. Scientific and Industrial Research Organizations;
- o. Provident Funds, Pension Funds, Gratuity Funds and Superannuation Funds to the extent they are permitted;
- p. Other schemes of Srei Mutual Fund (IDF) subject to the conditions and limits prescribed by SEBI (MF) Regulations;
- q. Trustee, AMC or Sponsor or their associates may subscribe to units under the Scheme;
- r. High Networth Individuals (HNIs) registered with SEBI as sub accounts of SEBI registered FIIs or HNIs which are separately registered with SEBI as eligible non-resident investors in IDFs in India.
- s. Such other individuals / institutions / body corporates etc., as may be decided by the AMC from time to time, so long as, wherever applicable, subject to their respective constitutions and relevant statutory regulations.

Notes

1. A minor can invest in any scheme of the Fund through his/her guardian only. For investments made on behalf of minors, investors may please note the following:
 - a. The minor shall be the first and the sole holder in the account.
 - b. Guardian can be either a natural guardian (i.e. father or mother) or a court appointed legal guardian.
 - c. It is mandatory for the guardian to submit documentary evidence confirming the relationship status.
 - d. It is mandatory to provide the minor's date of birth in the application form, along with any of following supporting documents:
 - Birth certificate of the minor;
 - School leaving certificate / Mark sheet issued by the Higher Secondary Board of the respective state, ICSE, CBSE etc;
 - Passport of the minor;
 - Any other suitable proof evidencing the date of birth of the minor.

In the event of minor attaining majority, investors may please note the following:

- a. The AMC/Registrar shall send advance notice at the registered correspondence address, advising the minor and guardian to submit prescribed documents, in order to effect change of status from 'minor' to 'major'.
- b. In case the requisite documents to change the status are not received by the date when the minor attains the age of majority, no transactions (financial and non-financial) including fresh registration of SIP, Systematic Transfer Plan (STP) and Systematic Withdrawal Plan (SWP) will be permitted after the date of minor attaining the age of majority.

- c. Existing SIPs, SWPs and STPs registered prior to the minor attaining the age of majority, will be continued to be processed till the time an instruction from the major to terminate the standing instruction is received by the AMC/Registrar along with the prescribed documents.
- d. New SIPs, SWPs and STPs will be registered upto the date of the minor attaining the age of majority.
- e. List of standard documents to change account status from minor to major:
 - Service Request form, duly filled and containing details like name of major, folio numbers, etc.;
 - New Bank mandate where account changed from minor to major;
 - Signature attestation of the major by a manager of a scheduled bank / Bank Certificate/Letter;
 - KYC acknowledgement of the major.
2. Non Resident Indians (NRI) and Persons of Indian Origin (PIO) residing abroad / Foreign Institutional Investors (FIIs) have been granted a general permission by the Reserve Bank of India [Schedule 5 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000] for investing in / redeeming units of mutual fund schemes, subject to the conditions set out in the aforesaid Regulations.
3. Qualified Foreign Investors/ QFIs) who meet KYC requirement may invest in equity and debt schemes of Mutual Funds (MF) through the following two routes:
 - a. Direct route - Holding MF units in demat account through a SEBI registered depository participant (DP).
 - b. Indirect route- Holding MF units via Unit Confirmation Receipt (UCR).

The investment shall be as per the SEBI Circular No. CIR/ IMD /DF / 14 /2011 August 9, 2011, CIR/ IMD/ FII&C/ 13/ 2012 June 07, 2012 and CIR/ IMD/ FII&C/ 17 / 2012 July 18, 2012 and any other guidelines / circular issued by SEBI from time to time.
4. In case of an application under a Power of Attorney or by a company or a corporate body or an eligible institution or a registered society or a trust fund, the original Power of Attorney or a certified true copy thereof, duly notarized, or the relevant resolution or authority to make the application, as the case may be, or a duly notarised certified true copy thereof, alongwith a certified copy of the Memorandum and Articles of Association and/or bye-laws and/or trust deed and/or partnership deed and certificate of registration, if any, shall be submitted. The officials should sign the application under their official designation. A list of specimen signatures of the authorised officials, duly certified / attested should also be attached to the Application Form. In case of a trust / fund, it shall submit a resolution from the Trustee(s) authorizing the purchase/redemption.

The list given above is indicative and the applicable laws, if any, as amended from time to time shall supersede the list.

B. Who Cannot Invest?

The following persons are not eligible to invest in the Scheme(s):

- a. Any individual who is a foreign national (except Qualified Foreign Investors who meet the KYC requirements) or any other entity that is not an Indian resident under the Foreign Exchange Management Act, 1999 (FEMA) except where registered with SEBI as a FII or sub account of FII or otherwise explicitly permitted under FEMA Act / by RBI / by any other applicable authority.
- b. Pursuant to RBI A.P. (DIR Series) Circular No. 14 dated September 16, 2003, Overseas Corporate Bodies (OCBs) can not invest in Mutual Funds.
- c. NRIs residing in Non-Compliant Countries and Territories (NCCTs) as determined by the Financial Action Task Force (FATF), from time to time.
- d. Such other persons as may be specified by AMC from time to time.

C. Prevention of Money Laundering and Know Your Client ('KYC') requirements:

In accordance with Anti Money Laundering Act, Mutual Funds who are registered financial intermediaries are required to formulate and implement a client identification programme or Know Your Customer (KYC) to verify and maintain the records of the identity, address(s) and other details of the investors. In this regard, investors who wish to make an investment of RS. 50,000/- and above in the units of mutual fund will be required to produce prescribed documents to any of the Point of Service (POS) or such other offices as may be notified by SMF or AMFI from time to time in order to comply with KYC norms of SMF. However, the AMC reserves absolute discretion to revise the aforesaid investment limit in line with the existing AML rules & regulations.

In order to comply with regulatory provisions under the Prevention of Money Laundering Act 2002, Rules issued thereunder and related guidelines/circulars issued by SEBI, KYC formalities are required to be completed by all Unit Holders, including Guardians and Power of Attorney holders. For the convenience of investors in mutual funds, all mutual funds have made special arrangements with CDSL Ventures Ltd. (CVL), a wholly owned subsidiary of Central Depository Services (India) Ltd. (CDSL) to comply the KYC process.

Presently, KYC formalities are required to be completed for all Unit Holders, including Guardians and Power of Attorney holders, for any investment (whether new or additional purchase) of Rs. 50,000/- or more per application in mutual funds by submitting the following documents at any of the designated POS:

- (1) Proof of Identity
- (2) Proof of Address
- (3) PAN Card
- (4) Photograph

The originals of these documents along with a copy each to be presented to POS and the original will be returned after verification. Alternatively, investors can also provide an attested true copy of the relevant documents. Attestation could be done by Notary Public/ Gazetted Officer/ Manager of a Scheduled Commercial Bank.

Instead of providing the required documents again and again to different mutual funds in which one would like to invest, CVL, on behalf of all mutual funds will carry out the process of KYC and issue an acknowledgement.

KNOW YOUR CUSTOMER (KYC) COMPLIANCE REQUIREMENTS

Investors may note that in terms of the Prevention of Money Laundering Act, 2002 ('PMLA'), the Rules issued there under and the guidelines/ circulars issued by SEBI regarding Anti Money Laundering, all intermediaries, including mutual funds, have to formulate and implement a client identification programme as well as verify and maintain records of the identity and address(es) of investors.

Pursuant to implementation of Know Your Customer (KYC) norms under Prevention of Money Laundering Act, 2002 (PMLA) through CDSL Ventures Limited (CVL) and in accordance with AMFI circular 35/MEM-COR/62/10-11 dated October 07, 2010, KYC Compliance has been made mandatory to all investors, (including Power of Attorney holders and guardian in case of a minor) intending to invest any amounts in units of the Mutual Fund effective January 1, 2011 (the "Effective Date"), irrespective of the amount of investment.

In other words, KYC compliance is mandatory for all investors/client categories and for any amount of investment.

Notwithstanding the above, investor residing in State of Sikkim shall not be subject to the above KYC formalities.

For investors based in State of Sikkim the following documents are required:

- a. Proof of address of Sikkim state and application form should mention the same address.
- b. Address proof shall be self attested by the investor / attested by the ARN holder mentioning the ARN number or attested by any competent authority.

REVISED KNOW YOUR CUSTOMER (KYC) PROCEDURES WITH EFFECT FROM JANUARY 01, 2012

In order to reduce hardship and help investors dealing with SEBI intermediaries, SEBI issued three circulars - MIRSD/SE/ Cir-21/2011 dated October 05, 2011, MIRSD/Cir-23/2011 dated December 02, 2011 and MIRSD/Cir-26/2011 dated December 23, 2011 informing SEBI registered intermediaries as mentioned therein to follow, with effect from January 01, 2012, a uniform KYC compliance procedure for all the investors dealing with them on or after that date. SEBI also issued KYC Registration Agency ("KRA") Regulations 2011 and the guidelines in pursuance of the said Regulations and for In-Person Verification ("IPV").

Requirement for the new investors in mutual funds (From January 1, 2012) :

With effect from January 01, 2012, all investors other than KYC compliant investors as defined above are required to follow the new KYC compliance procedure as mentioned below while making any investing with the Fund:

New Investors are requested to use the revised common KYC Application Form with specified documents and carry out the KYC process including In-Person Verification (IPV) with any SEBI registered intermediaries including mutual funds. The revised common KYC Application Forms are also available on our website www.sreimf.com or www.amfindia.com

The Fund shall perform the initial KYC of its new investors and may undertake enhanced KYC measures commensurate with the risk profile of its investors. The Mutual Fund shall upload the details of the investors on the system of the KYC Registration Agency (KRA). KRA shall send a letter to the investor within 10 working days of the receipt of the initial/updated KYC documents from the Mutual Fund, confirming the details thereof.

It is mandatory for intermediaries including mutual funds to carry out In-Person Verification (IPV) of its new investors from the Effective Date. The IPV carried out by any SEBI registered intermediary can be relied upon by the Mutual Fund. Srei Mutual Fund Asset Management Pvt. Ltd. (SMFAMPL) or NISM/AMFI certified distributors who are KYD compliant are authorized to undertake the IPV for Mutual Fund investors. Further, in case of any applications received directly (i.e. without being routed through the distributors) from the investors, the Mutual Fund may rely upon the IPV (on the KYC Application Form) performed by the scheduled commercial banks.

Once the investor has done KYC with a SEBI registered intermediary, the investor need not undergo the same process again with another intermediary including mutual funds. However, the Mutual Fund reserves the right to carry out fresh KYC of the investor.

AMC reserves right to reject application forms for transactions in units of the Fund not accompanied by letter/ acknowledgement issued by KRA. The KYC compliance status will be validated with the records of the KRA before allotting units.

Existing KYC compliant investors of the Mutual Fund can continue to invest as per the current practice. However, existing investors are also urged to comply with the new KYC requirements including IPV as mandated by SEBI.

D. PAN mandatory for all Investors:

It is mandatory for all investors to quote their Permanent Account Number (PAN) and submit certified copy of the PAN card issued by the Income Tax Department, irrespective of the amount of investment, while making an application for purchase of Units of the Schemes. Investors will be required to submit the original PAN card for verification. In case of joint holding, PAN details of all holders should be submitted. In case the application is on behalf of a minor, PAN details of the guardian must be submitted. Transactions by unit holders/investors who fail to submit certified copy of PAN card are liable to be rejected.

As per SEBI circular no. MRD/ DoP/MF/Cir - 08/2008 dated April 3, 2008 and circular no. MRD/ DoP/Cir-20/2008 dated June 30, 2008 investors residing in the state of Sikkim and Central Government, State Government and the officials appointed by the courts e.g. Official liquidator, Court receiver etc. (under the category of Government) respectively are exempted from the mandatory requirement of PAN for their investments in Mutual Funds. However, this would be subject to verification of the veracity of the claim of the investors by collecting sufficient documentary evidence. The AMC reserves the right to ask for the necessary documentation to the satisfaction of the Mutual Fund. Applications without the aforesaid details are liable to be rejected without any reference to the investors.

E. Bank Account details mandatory for all Investors:

In order to protect the interest of investors from fraudulent encashment of cheques, the current SEBI Regulations have made it mandatory for investors to mention in their application for purchase of Units, the bank name and account number where the payments are to be credited. Hence, for purchase of Units, Investors must provide the Investor's bank name, bank account number, branch address, and account type in the Application Form. Applications without these details will be treated as incomplete and rejected. The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques and / or any delay. The investor is required to provide "cancelled" original cheque or bank statement or copy of bank pass book page with the Investor's Bank Account number, name and address, at the time of registration of the investor's bank mandate and subsequent change in the investor's bank mandate. In case if a copy of the above documents is submitted, Investor shall submit the original to the AMC/ Service Centre for verification and the same shall be returned. Investors can register multiple bank accounts with the Fund. For details please refer paragraph on 'Registration of Multiple Bank Accounts in respect of an Investor Folio given below in this document.

F. Mode of Payment:

1. Resident Investors

Payment can be made by any of the following modes:

- By Cheque / Demand Draft / Pay Order / Banker's Cheque payable locally in the city of the designated CSCs in which the application form/transaction slip is submitted and drawn on a bank which is a member of the Banker's Clearing House of that city; or
- Electronic transfer of funds over the internet or by way of Direct Credit / RTGS / NEFT/NECS etc. to designated Scheme collection account; or
- The NFO subscriptions can also be made by investors by availing ASBA facility by filling up the ASBA Application Form and following the procedure as prescribed in the form. For further details on ASBA, please refer to the Section 'Additional mode of payment through Applications Supported by Blocked Amount ("ASBA")' given below in this Document.
- Investors may kindly note that Demand Draft charges will not be borne / reimbursed by the AMC for purchase of units of the Scheme(s) by investors.
- Applications accompanied by cheques / demand drafts not fulfilling the above criteria are liable to be rejected.

2. NRIs, PIOs and FIs

Non Resident Indians (NRIs) and Persons of Indian Origin (PIOs) residing abroad / Foreign Institutional Investors (FIs) have been granted a general permission by Reserve Bank of India under Schedule 5 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 for investing in / redeeming units of the mutual funds subject to conditions set out in the aforesaid regulations.

NRIs and PIOs may purchase units of the Fund on a repatriation and non-repatriation basis, while FIs may purchase units only on a repatriation basis.

a. Repatriation Basis:

In case of NRIs and PIOs residing abroad, investing on repatriable basis, payments may be made either by inward remittance through normal banking channels or out of funds held in a Non- Resident (External) Rupee account (NRE)/ Foreign Currency (Non-Resident) account (FCNR).

In case of Indian Rupee Drafts purchased abroad or out of funds held in NRE/ FCNR account, an account debit certificate from the bank issuing the draft confirming the debit to the Investor's account should also be submitted with the application form. In case the debit certificate is not provided, the AMC reserves the right to reject the applications. NRIs shall also be required to furnish such other documents as may be necessary and as desired by the Fund in connection with the investment in the Scheme(s).

FII's may pay their subscription amounts either by inward remittance through normal banking channels or out of funds held in Foreign Currency Accounts or Non-Resident Rupee Accounts maintained with a designated branch of an authorised dealer.

In case Indian rupee drafts are purchased by the FN from abroad or from Foreign Currency Accounts or Non-resident Rupee Accounts, an account debit certificate from the bank issuing the draft confirming the debit to the Investor's account shall also be enclosed. In case the debit certificate is not provided, the AMC reserves the right to reject the applications.

Payments shall be made by cheques / demand drafts crossed "Account Payee Only".

AMC may at its discretion accept subscription accompanied with foreign currency instrument. NAV applicable in such case would be of the date when the funds get credited into the Fund's account.

b. Non Repatriation Basis:

In the case of NRIs investing on non-repatriable basis, payment may be made either by inward remittance through normal banking channels or cheque/demand drafts drawn out of funds held in an NRE / FCNR / Non-Resident Ordinary Rupee Account (NRO).

FII's are not allowed to make payment on Non-repatriable basis.

The Trustee/AMC, at its discretion, may choose from time to time to alter or add other modes of payment.

3. Qualified Foreign Investors (QFIs)*

As per SEBI circular no. CIR/ IMD/ FII&C/ 13/ 2012 June 07, 2012 QFI shall mean a person who fulfils the following criteria:

- (i) Resident in a country that is a member of Financial Action Task Force (**FATF**) or a member of a group which is a member of FATF; and
- (ii) Resident in a country that is a signatory to IOSCO's MMOU or a signatory of a bilateral MOU with SEBI:

Provided that the person is not resident in a country listed in the public statements issued by FATF from time to time on-(i) jurisdictions having a strategic Anti-Money Laundering/ Combating the Financing of Terrorism (**AML/CFT**) deficiencies to which counter measures apply, (ii) jurisdictions that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies:

Provided further such person is not resident in India:

Provided further that such person is not registered with SEBI as Foreign Institutional Investor or Sub-account or Foreign Venture Capital Investor.

A QFI shall open a single non-interest bearing Rupee Account with an AD Category- I bank in India, for routing the receipt and payment for transactions relating to purchase and sale of eligible securities subject to the conditions as may be prescribed by RBI from time to time. Accordingly, it is clarified that henceforth there is no more requirement for opening and maintenance of a single rupee pool bank account by the qualified DP. QFIs, shall, henceforth invest in all eligible securities through this single non- interest bearing Rupee Account.

Direct Route

The DP route will be operated through separate single rupee pool bank account to be maintained by the DP with a AD Category I Bank in India. The funds received from the QFIs into this account shall be remitted to the domestic MF either on the same day of the receipt of the funds from QFIs or by next business day in case money is received after business hours, failing which the funds would be immediately repatriated back to the QFI's overseas bank account. The redemption proceeds of the units will also be received from the domestic MF into this account and shall be repatriated to the overseas bank account of the QFI within two working days of the same having being received in the rupee pool account of the DP. Within these two working days the redemption proceeds can also be utilized for further investment by the QFI under this scheme. The foreign inward remittances in to the single rupee pool bank account of DPs shall be received only in permissible currency (i.e. freely convertible currency). Dividend payments on units held by QFIs would have to be directly remitted to the overseas accounts of the QFIs by the domestic MFs and dividend payments to QFIs would not be allowed as an eligible credit to the single rupee pool bank account.

QFIs would be allowed to open a single demat account with a DP in India for investment in rupee denominated units of different domestic MFs equity schemes. However, the QFIs would not be allowed to open a bank account in India.

Indirect Route

Domestic MFs would be allowed to open foreign currency accounts outside India for the limited purpose of receiving subscriptions from the QFIs as well as for redeeming the UCRs. The UCR will be issued against units of domestic MF schemes.

Know Your Customer (KYC) for QFI - DPs will ensure KYC of the QFIs as per the norms prescribed by SEBI in circular dated January 13, 2012 and SEBI circulars issued in this regard from time to time. AD Category banks will also ensure KYC of the QFIs for opening and maintenance of the single non-interest bearing Rupee Accounts as per the extant norms prescribed by RBI.

The investment(s) by the QFI(s) in Srei Mutual Fund (IDF) schemes shall also be subject to the relevant and extant FEMA regulations and guidelines issued by the Reserve Bank of India from time to time.

Srei Mutual Fund Asset Management Pvt Ltd reserves the right to introduce / modify any terms and conditions for processing the transactions of QFIs in line with applicable regulations and amendments from time to time.

*Investors are also advised to read all the respective regulations issued from time to time by the respective regulators like Reserve Bank of India, SEBI etc.

Investment by Non Resident Investors

As per RBI circular no.RBI/2011-12/271 A.P. (DIR Series) Circular No. 49 dated November 22, 2011 It has now been allowed investment on repatriation basis by eligible non-resident investors (as mentioned in para 3 below) in rupee denominated units issued by IDFs set up as SEBI registered domestic Mutual Funds (MFs), in accordance with the terms and conditions stipulated by the SEBI and the Reserve Bank of India from time to time.

Eligible non- resident investors are as follows,

- a) Sovereign Wealth Funds, Multilateral Agencies, Pension Funds, Insurance Funds and Endowment Funds which are registered with SEBI as eligible non- resident investors in IDFs (hereinafter referred to as 'SEBI registered eligible non- resident investors in IDFs').
- b) SEBI registered Foreign Institutional Investors (FIIs).
- c) Non Resident Indians (NRIs) as defined in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 (Notification No. FEMA 20/2000-RB dated May 3, 2000), as amended from time to time.
- d) High Networth Individuals (HNIs) registered with SEBI as sub accounts of SEBI registered FIIs or HNIs which are separately registered with SEBI as eligible non-resident investors in IDFs in India.

G. Non - acceptance of Third Party Payment Instruments for subscriptions / investments:

"Third Party Payment Instruments" means a payment made through an instrument issued from an account other than that of the Beneficiary Investor.

Applications to Schemes of Srei Mutual Fund (IDF) accompanied by a Third Party Payment Instrument shall not be accepted by the AMC except in Custodian making investments on behalf of an FII or a Client.

In case of payments from a joint bank account, the sole /first holder of the Mutual Fund folio should be one of the joint holders of the bank account from which payment is made. In case a payment is covered under above exceptions, the following additional documents are also required to be mandatorily provided together with the Application Form:

- i. KYC Acknowledgement letter as issued by CDSL Ventures Limited (CVL)/printout of KYC Compliance Status downloaded from CVL website, of the Investor and the person making the payment; and/ or
- ii. A duly filled "Third Party Payment Declaration Form" from the Investor (guardian in case of a minor) and the person making the payment i.e. third party. The said form shall be available on the AMC's website/ at the Customer Services Centres.

Investors are requested to further note as follows:

Registration of Pay-in bank account: The investor at the time of his subscription for units must provide the details of his Pay-in bank account (i.e. account from which subscription payment is made) and his Pay-out bank account (i.e. account into which redemption / dividend are to be paid). The details on facility for registration of Multiple Bank Accounts are mentioned separately in this document.

Subscription through pre-funded Instruments like Pay Order / Demand Draft etc.: In case of subscription through pre-funded Instruments such as Pay Order / Demand Draft / Banker's Cheque, such pre-funded instruments should be procured by the Investor only against a registered Pay-in account. Along with the payment instrument, the Investor is also required to submit a Certificate from the Banker issuing the pre-funded payment instrument stating the account holder's name and the account number from which the amount has been debited for the issue of the instrument. The said Certificate should be duly certified by the bank manager with his / her full signature, name, employee code, bank seal and contact number.

Subscriptions through pre-funded Instruments (Demand Draft, Pay Order etc.) procured against cash shall not be accepted.

Subscriptions through RTGS, NEFT, NECS, bank transfer etc.: In such case, Investor is required to provide a copy of the instruction which has been provided to the Bank indicating the account number and the debit instructions.

All the above mentioned documents, to the extent applicable, are required to be provided along with the Application Form. In case if the application for subscription is not in accordance with the above provisions, the AMC reserves the right to reject the application.

H. Registration of Multiple Bank Accounts in respect of an Investor Folio:

Registering of Multiple Bank Accounts will enable the Fund to systematically validate the pay-in of funds and avoid acceptance of third party payments.

Investors can register with the Fund upto 5 pay-in bank accounts in case of individuals and HUFs and upto 10 in other cases.

In case of Multiple Registered Bank Account, Investor may choose one of the registered bank accounts for the credit of redemption/ dividend proceeds (being "Pay-out bank account").

Investor may however specify any other registered bank accounts for credit of redemption proceeds at the time of requesting for the redemption. Investor may change such Pay-out Bank account, as necessary, through written instructions. If redemption request is received together with a change of bank account (unregistered new bank account) or before verification and validation of the new bank account the redemption request would be processed to the currently registered default old bank account.

For the purpose of registration of bank account(s), Investor should submit Bank Mandate Registration Form (available at the CSCs/ AMC Website) together with any of the following documents

- (i) Cancelled original cheque leaf in respect of bank account to be registered where the account number and names of the account holders are printed on the face of the cheque; or
- (ii) Bank statement or copy of Bank Pass Book page with the Investor's Bank Account number, name and address.

The above documents will also be required for change in bank account mandate submitted by the Investor.

The AMC will register the Bank Account only after verifying that the sole/ first joint holder is the holder / one of the joint holders of the bank account. In case if a copy of the above documents is submitted, Investor shall submit the original to the AMC/ Service Centre for verification and the same shall be returned.

Investor may note that in case where his bank account number has changed for any reason, a letter issued by the Bank communicating such change is also required to be submitted along with the Bank Mandate Registration Form.

Bank Account details as mentioned in the Application Form shall be treated as default account for pay-out, if the Investor has not specifically designated a default pay-out bank account. Investor may change the default bank account through written instructions.

Where an Investor proposes to delete his existing default payout account, he shall compulsorily designate another account as default account.

A cooling-off period of 10 calendar days is required for registering the bank account and no redemption payouts will be made into such bank accounts during the cooling-off period. Confirmation of registration of bank accounts shall be communicated to the Investor through such means as may be deemed fit by the AMC.

Investors may also note the terms and conditions as appearing in the Multiple Bank Account Registration Form available at the CSCs/ AMC Website. The AMC may request for such additional documents or information as it may deem fit for registering the aforesaid bank accounts.

I. Additional mode of payment through Applications Supported by Blocked Amount ("ASBA") (applicable during NFO period only):

ASBA is an application containing an authorization given to a Self Certified Syndicate Bank (SCSB) by the investor to block the application money in his specified bank account maintained with the SCSB towards the subscription of units offered during the NFO of a Scheme of the Fund. ASBA facility can be availed by an investor only if the bank with whom his account is maintained is a Self Certified Syndicate Bank (SCSB) under ASBA. Therefore during the NFO period, apart from the current process of payment wherein cheques / demand drafts etc. are used as a mode of payment, an investor also has the option to subscribe to the units of the Scheme(s) launched by the Fund from time to time, using the Application Supported by Blocked Amount (ASBA) facility, wherein the application money towards the subscription of units will be debited from his / her specified bank account only if his / her application is selected for allotment of units. This facility is available to all categories of investors mentioned under the heading 'Who can invest'.

Benefits of applying through ASBA Facility:

Writing cheque and demand draft is not required, as investor needs to submit ASBA application form accompanying an authorization to block the account to the extent of application money towards subscription of units. The balance money, if any, in the investor's specified bank account can be used for other purposes by the investor.

Release / unblocking of blocked funds after allotment / rejection / failure of NFO, as the case may be, is done instantaneously.

Unlike other modes of payment, in ASBA facility, there is no loss of interest income on the application money towards subscription of units as application amount remains in the bank account of the investor till the allotment is made.

Refund of money to the investor does not arise as the application money towards subscription of units is debited only on the allotment of units.

The investor deals with a known intermediary i.e. his/her own bank.

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 recognised as a bank capable of providing ASBA services to its customers. Names of such banks and their Designated Branches (DBs) where ASBA Application Form can be submitted are available on the website of SEBI (www.sebi.gov.in).

ASBA Procedure:

An Investor availing of this facility ("ASBA applicant"), which is available only during NFO period, shall submit a duly completed ASBA Application Form to the SCSB with whom the ASBA Applicant's bank account to be blocked, is maintained, authorising blocking of the funds and the SCSB shall block an amount equivalent to the Application Amount in the bank account specified in the ASBA Application Form. Such amount, as marked for application, is not available for utilization by the ASBA Applicant. Application can be submitted in physical form, or if the investor avails internet / electronic banking facility, in electronic form. The acknowledgement of receipt of the application given to the ASBA applicants by the designated branches of the SCSBs does not guarantee that the units shall be allotted either by the SCSB or the Mutual Fund.

The Application shall be further processed by the Registrar & Transfer Agent appointed by the Fund and units shall be allotted after deducting the blocked amount, only if the application is complete in all respects.

The application money shall remain blocked in the investor's bank account until withdrawal / failure of the NFO / rejection of the application or receipt of instructions from the Registrar to unblock the Application Amount, as the case may be.

On allotment, the application money will be debited from ASBA Applicant's specified bank account and transferred to the Fund.

Grounds for rejection of ASBA application forms:

ASBA application forms can be rejected, at the discretion of the RTA / AMC / SCSBs due to various reasons, including but not limited to the following:

- i. Applications by persons not competent to contract under the Indian Contract Act, 1872, including but not limited to minors, insane persons etc.
- ii. Mode of ASBA i.e. either physical ASBA or electronic ASBA is not selected or ticked (applicable as and when electronic ASBA facility is offered).
- iii. ASBA application form without the stamp of the SCSB.
- iv. Application by any person outside India if not in compliance with applicable foreign and Indian laws.
- v. Bank account details not given/incorrect details given.
- vi. Duly certified Power of Attorney, if applicable, not submitted alongwith the ASBA application form.
- vii. No corresponding records available with the Depositories matching the parameters namely, names of the ASBA applicants (including the order of names of joint holders), Depository Participant ID, Beneficiary account number or any other relevant details pertaining to the Depository account (applicable only to demat mode).

Note: If the bank account specified in the ASBA application form does not have sufficient credit balance to meet the application money towards the subscription of units, the SCSB will reject the ASBA application form.

Mechanism for Redressal of Investor Grievances:

All grievances relating to the ASBA facility may be addressed to the AMC / RTA to the issue, with a copy to the SCSB, giving full details such as name, address of the applicants, subscription amount blocked on application, bank account number and the designated branch or the collection centre of the SCSB where the ASBA form was submitted by the investor.

J. Transaction charges:

As per SEBI Circular No. Cir/ IMD/ DF/13/ 2011 dated August 22, 2011, In order to enable people with small saving potential and to increase reach of Mutual Fund products in urban areas and smaller towns, Mutual Funds are allowed to deduct transaction charge per subscription of Rs.10,000/- and above and same to be paid to the distributors of the Mutual Fund products. However, there shall be no transaction charges on direct investments.

Since the infrastructure debt fund has minimum investments of Rs. 1 crores, hence the transaction charges will not be applicable.

K. Consolidated Account Statement (CAS):

Pursuant to Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2011 dated August 30, 2011 read with SEBI circular No. Cir/ IMD/ DF/16/ 2011 dated September 8, 2011, all the unit holders whose transactions** have been accepted by the Fund on or after October 1, 2011, shall note that–

1. The unit holders whose valid application for subscription has been accepted by the Fund, a communication specifying the number of units allotted, in the form of an email and/or SMS at the registered email address and/or mobile number, shall be sent within five business days from the date of receipt of transaction request or closure of the initial subscription list.
2. Thereafter, a consolidated account statement (CAS) for each calendar month, detailing:
 - a. all the transactions** carried out by the unit holders across all schemes of all mutual funds during the month and
 - b. holding at the end of the month including transaction charges if any, paid to the distributor, shall be sent to the unit holder(s) by physical form/ email (wherever unit holders have provided email address) in whose folio(s) transaction**(s) has/have taken place during the month, on or before 10th of the succeeding month.
***The word 'transaction' shall include purchase, redemption, switch, dividend payout, dividend reinvestment, systematic investment plan, systematic withdrawal plan, and systematic transfer plan and bonus transactions.*
3. For the purpose of sending CAS, common investors across all the mutual funds shall be identified, on the basis of their Permanent Account Number (PAN). CAS will be sent only to those unit holders whose folio is updated with PAN details.
4. In case of a specific request for account statement is received from the Unit holders, the Fund will provide the same within five business days from the receipt of such request.
5. In the case of joint holding in a folio, the first named Unit holder shall receive the CAS/account statement. Further, the CAS detailing holding across all schemes of all mutual funds at the end of every six months ended September 30 or March 31, shall be sent in physical form/email on or before tenth day of succeeding month to all such unit holders in whose folios transactions have not taken place during that period. The half-yearly CAS will be sent by email to the Unitholders whose email is available, unless a specific request is made to receive in physical.

In case of the units are held in dematerialized (demat) form, the statement of holding of the beneficiary account holder will be sent by the respective Depository Participant periodically.

L. Annual Report/ Abridged summary:

Pursuant to Securities Exchange Board of India (Mutual Funds) (Amendments) Regulations 2011, dated August 30, 2011 read with SEBI circular No. Cir/IMD/DF/16/2011 dated September 8, 2011, the unit holders are requested to note that scheme wise annual report and/or abridged summary of annual reports of the Schemes of the Fund shall be sent to the unit holders only by email at their email address registered with the Fund.

Physical copies of the annual report or abridged summary of annual reports will be sent to those Unit holders whose email address is not available with the Fund and/or who have specifically requested or opted for the same.

The unit holders are requested to update /provide their email address to the Fund for updating the database.

Physical copy of the scheme wise annual report or abridged summary will be available to the unit holders at the registered office of the Fund/AMC. A separate link to the scheme annual report or abridge summary is available on the website of the Fund.

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 dispatched 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 dispatched 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. In case the AMC fails to dispatch redemption proceeds within the stipulated time, interest at the rate of 15% p.a. will be paid to such investors.
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:
 - a. Whenever required to do so by SEBI, in the interest of the Unit holders.
 - b. Whenever required to do so if a requisition is made by three- fourths of the Unit holders of the Scheme.
 - c. When the Trustee decides to wind up the Scheme or prematurely redeem the Units.
 - d. 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.
9. Suspension or restriction of repurchase/redemption facility under any scheme of the mutual fund shall be made applicable only after the approval from the Board of Directors of the Asset Management circumstances and justification for the proposed action shall also be informed to SEBI in advance.
10. The following would be the procedure for seeking approval of the Unit holders in specified circumstances.
 - (i) The Mutual Fund shall first determine a cut off date for ascertaining the names of the Unit holders whose consent is to be sought. This may necessitate the closing of books and register of Unit holders, if any, and suspension of approval of the sale and purchase of Units for a short period prior to the cut off date.
 - (ii) The Trustees of the Mutual Fund shall pass a resolution for convening a meeting of the general body of the Unit holders and give a notice atleast 21 days before the meeting too all Unit holders specifying the date, time, venue and purpose of holding the meeting and publish the public notice in at least two leading newspapers circulated in Mumbai including one English and one Marathi newspaper.
 - (iii) At the meeting so convened, 5 Unit holders personally present shall constitute the quorum for the meeting and the Unit holders personally present at the meeting shall elect one of themselves to be the Chairman thereof by a show of hands. The Chairman of the meeting shall have the power to regulate the procedure at the meetings.
 - (iv) At the meeting, the amendment proposed shall be put to vote and shall be decided in the first instance by a show of hands, unless a poll is demanded. A poll demanded shall be taken at such time not being later than 48 hours from the time when the demand was made, as the Chairman may direct. The result of the poll would determine whether the amendment proposed will be passed or not.
 - (v) Before or on the declaration of the result of voting on a proposed amendment by a show of hands, a poll may be ordered to be taken by the Chairman, of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any Unit Holder or Unit holders, holding units having a issue price of not less than Rs. 50,000/-.

IV. NET ASSET VALUE (NAV) AND VALUATION OF ASSETS OF THE SCHEMES

Scope of the policy

The investment valuation policy aims to give the broad valuation guidelines to be followed for each type of the security. The same will be reviewed every year by the Valuation committee and also by an independent auditor. Any introduction/ modification / changes in a valuation policy for a new or an existing asset type will be approved by the Valuation Committee and included as a part of the valuation policy.

Frequency of review: The policy shall be reviewed on annual basis or more frequently, if required, due to change in regulations or business environment.

The Fund shall value its investments according to the valuation norms, as specified in Schedule VIII of the Regulations, or such norms as may be prescribed by SEBI from time to time. In case of any conflict between the Principles of Fair Valuation and Valuation Guidelines issued by the Board, the Principles of Fair Valuation shall prevail. The broad Valuation norms are detailed below:

Section I

VALUATION NORMS FOR TRADED SECURITIES

1. EQUITY & EQUITY RELATED SECURITIES

- a) The securities shall be valued at the last quoted closing price on the stock exchange.
 - b) When the securities are traded on more than one recognised stock exchange, the securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded. It would be left to the asset management company to select the appropriate stock exchange, but the reasons for the selection should be recorded in writing. There should, however, be no objection for all scrips being valued at the prices quoted on the stock exchange where a majority in value of the investments are principally traded.
 - c) Once a stock exchange has been selected for valuation of a particular security, reasons for change of the exchange shall be recorded in writing by the asset management company.
 - d) When on a particular valuation day, a security has not been traded on the selected stock exchange, the value at which it is traded on another stock exchange may be used.
 - e) When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to the valuation date.
- The steps involved in valuation of traded securities are:
- (i) Selection of principle stock exchange / appropriate Stock Exchange (as per offer document) by Asset Management Company (AMC) and valuing the security at the closing price on the date of valuation.
 - (ii) Valuing security at the closing price of another Stock Exchange, if it is not traded on the valuation date on the Stock Exchange as selected at (i) above.
 - (iii) Valuing security at the earliest previous day's quotes of selected stock exchange or any other stock exchange as the case may be (being not more than thirty days prior to valuation date).
- Clearly, for reasons of speed and regular flow of data in electronic form, our choice of stock exchange for trading is limited to the two premier exchanges of India - the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). NSE has electronic trading, greater transparency, quicker and more efficient settlements, which enable better cash management, and is popular with other major institutions.
- Process followed for valuation of traded equity and equity related securities by SREI MF would be as follows:
- (i) For valuation purposes NSE has been selected as appropriate stock exchange for equity and equity related securities held by all the schemes.
 - (ii) Wherever equity and equity related securities are not listed on NSE or are not traded on a certain day at NSE, the closing price at BSE should be considered, followed by any other regional exchanges.
 - (iii) In case of securities which have been allotted under preferential / private allotment and are not listed or traded on both the stock exchanges, the scrip is valued at last quoted price on the Stock Exchange where it is traded (provided the last quoted price is not more than thirty days prior to the valuation date.)
 - (iv) To summarise, if a security is not traded on NSE on a particular valuation day, the value at which it was traded on BSE, on the earliest previous day is used, provided such day is not more than thirty days prior to the valuation date.
 - (v) Similar methodology is to be used for valuation of traded preference shares.
 - (vi) If the equity securities are not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as 'non-traded' scrip and should be valued as non-traded security as per the norms given separately by us in **Section II** and also in case of equity securities not listed on any stock exchange, the scrip is to be valued as per the norms given separately in **Section II**.

Change in the selected Stock Exchange:

In case selected stock exchange for valuation of any or all securities is to be changed, reasons for change have to be recorded in writing by the valuation committee and approved by the Board of AMC.

2. STOCK AND INDEX DERIVATIVES

2.1 Equity / Index Options Derivatives:

- (i) Market values of traded open option contracts shall be determined with respect to the exchange on which it is contracted originally, i.e., an option contracted on the National Stock Exchange (NSE) would be valued at the closing option price on the NSE. The price of the same option series on the Mumbai Stock Exchange (BSE) cannot be considered for the purpose of valuation, unless the option itself has been contracted on the BSE.
- (ii) The Exchanges give daily settlement prices in respect of all derivatives positions. These settlements prices would be adopted for the positions, which are not traded.

2.2 Equity / Index Futures Derivatives:

- (i) Market values of traded futures contracts shall be determined with respect to the exchange on which contracted originally, i.e., futures position contracted on the National Stock Exchange (NSE) would be valued at the settlement price on the NSE. The price of the same futures contract on the Mumbai Stock Exchange (BSE) cannot be considered for the purpose of valuation, unless the futures contract itself has been contracted on the BSE.
- (ii) The Exchanges give daily settlement prices in respect of all derivatives positions. These settlements prices would be adopted for the positions, which are not traded.

3. DEBT & MONEY MARKET SECURITIES

3.1 Valuation of debt securities with residual maturity of upto 60 days

All money market and debt securities, including floating rate securities with residual maturity of upto 60 days shall be valued at the weighted average price at which they are traded on the particular valuation day.

3.2 Valuation of debt securities with residual maturity of over 60 days

All money market and debt securities, including floating rate securities with residual maturity of over 60 days shall be valued at the weighted average price at which they are traded on the particular valuation day.

➤ The steps for valuation of traded debt securities are as follows:

- (i) all AMCs are required to provide transaction details including inter scheme transfer of various types of Debt Securities such as NCDs, CPs etc. on a daily basis in the prescribed format to the CRISIL/ ICRA.
- (ii) CRISIL will automatically provide the average as an output after taking as inputs the data feeds from CRISIL and ICRA.
- (iii) However, should the spread between the 2 Models (on pricing) be more than 5 percent (tolerance limit), then the Fund Houses should advise both Valuation Metric providers to revisit the pricing for that specific security.
- (iv) In the event of time constraint on such revisiting – for NAV computation – then, the AMC may arrive at a fair value based on the average of the 2 Models”.
- (v) Same price needs to be considered for the particular security across all the schemes.
- (vi) Valuation needs to be done on trade date and not on settlement date.

4. VALUATION OF OTHER INSTRUMENTS:

4.1 Valuation of Rights Entitlements :

As per Schedule VIII of SEBI (Mutual Fund) Regulations

4.1.1 When Company announces rights to the existing equity shareholders, under its Listing Agreement with Stock Exchange; it has to declare ex-right date for the purpose of trading on the Stock Exchange. Ex-right date is a date from which the underlying shares, which are traded on the Stock Exchange, will not be entitled to the rights. These rights entitlements can also be renounced in favour of a willing buyer. These renunciations are in some cases traded on the Stock Exchange. In such case these should be valued as traded equity related securities as detailed at para 1 above.

4.1.2 Till the rights are subscribed, the entitlements as per Regulations have to be valued as under:

Valuation of non-traded rights entitlement is principally the difference between the right price and ex-right price. SEBI Regulations have explained this with the help of following formula:

$$V_r = n / m \times (P_{ex} - P_{of}) \text{ Where}$$

V_r = Value of Rights

n = Number of rights offered

m = Number of original shares held

P_{ex} = Ex-right price

P_{of} = Rights offer price

4.1.3 The following issues while valuing the rights entitlements have to be addressed:

- (i) In case original shares on which the right entitlement accrues are not traded on the Stock Exchange on an ex-right basis, right entitlement should not be recognised as investments.
- (ii) When rights are not treated pari passu with the existing shares such as, restrictions with regard to dividend etc., suitable adjustment should be made by way of a discount to the value of rights at the last dividend announced rate.
- (iii) Where right entitlements are not subscribed to but are to be renounced, and where renunciations are being traded, the right entitlements have to be valued at traded renunciation value.

- (iv) Where right entitlements are not traded and it was decided not to subscribe the rights, the right entitlements have to be valued at zero.
- (v) In case the Rights Offer Price is greater than the ex-rights price, the value of the rights share is to be taken as zero.

4.1 Valuation of suspended securities

- 4.2.1 In case trading in an equity security is suspended for trading on the stock exchange up to 30 days, then the last traded price would be considered for valuation of that security.
- 4.2.2 If an equity security is suspended for trading on the stock exchange for more than 30 days, then it would be considered as non traded and valued accordingly.

4.3 Valuation of Debt Derivatives like Interest Rate Swaps, Credit Default Swaps etc:

The Investment Committee will formulate a policy for valuation of debt derivatives and till this policy is formed, no contracts in debt derivatives will be entered into.

SECTION II

VALUATION NORMS FOR NON-TRADED SECURITIES

A. Two distinct definitions for recognition as non-traded securities are noted:

- i. If the equity securities are not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as 'non-traded' scrip.
- ii. If the debt securities are not traded on any stock exchange for a period of fifteen days prior to the valuation date, the scrip must be treated as 'non-traded' scrip.

B. Basic Conditions of valuation of Non-traded / Thinly traded Securities:

The Regulations prescribe following conditions for valuation of non-traded securities:

- i. Non-traded securities shall be valued in 'good faith' on the basis of the valuation principles laid down by SEBI.
- ii. The basis should be appropriate valuation methods on the principles approved by Board of AMC.
- iii. Such basis should be documented in Board minutes
- iv. Methods used to arrive at good faith valuation should be periodically reviewed by the Trustees.
- v. Methods used to arrive at good faith valuation should be such that the auditors report the same as 'fair and reasonable' in their report on the annual accounts.

Additional conditions to be adhered to for valuation of non-traded securities:

- vi. Same price needs to be considered for the particular security across all the schemes Valuation needs to be done on trade date itself and not on settlement date Prices to be computed up to 4 decimals

1. Equity and Equity Related Securities:

1.1 Application money for primary market issue:

- i) Application money should be valued at cost up to 30 days from the closure of the issue. If the security is not allotted within 30 days from the closure of the issue, application money is to be valued as per the directives of valuation committee. Rationale of valuing such application money should also be recorded.
- ii) Equity securities allotted and proposed to be listed, but not listed, are to be valued at cost till two months from the date of allotment and after two months, are to be valued as unlisted securities. Method of valuing unlisted equity is stated at para 1.3 below.

1.2 NON-TRADED / THINLY TRADED EQUITY:

- A. As per SEBI Circular No. MFD/CIR/ 8 / 92 / 2000 dated September 18, 2000 non traded / thinly traded equity is to be valued as follows:

Based on the latest available Balance Sheet, Net Worth shall be calculated as follows:

- a. Net Worth per share = [Share Capital+ Reserves (excluding Revaluation Reserves) – Miscellaneous expenditure and Debit Balance in Profit and Loss Account] / Number of Paid up Shares.
- b. Average Capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which shall be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75 per cent i.e. only 25 per cent. Of the industry average P/E shall be taken as Capitalization rate (P/E ratio). Earnings per share (EPS) of the latest audited annual accounts shall be considered for this purpose.
- c. The value as per the Net Worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10 per cent. for illiquidity so as to arrive at the fair value per share.

- d. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
 - e. In case where the latest Balance Sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.
 - f. In case an individual security accounts for more than 5 per cent of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5 per cent of the total assets of the scheme, it shall be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs will be compared on the date of valuation.
 - g. In case trading in an equity security is suspended up to thirty days, then the last traded price shall be considered for valuation of that security. If an equity security is suspended for more than thirty days, then the AMC(s) or Trustees shall decide the valuation norms to be followed and such norms shall be documented and recorded.
- B. In line with these guidelines issued by SEBI, non-traded / thinly traded securities should be valued as follows:
- 1.2.1 Net worth per share is computed as follows:
- Net worth of the company = Paid up share capital + Reserves other than Revaluation reserve - Miscellaneous expenditure, debit balance in Profit and Loss account and certain contingent liabilities.
- Net worth per share = (Net worth of the company / Number of paid up shares).
- 1.2.2 Computation of capitalised value of earning per share (EPS):
- (i) Determination of the Industry Price Earning Ratio (P/E) to which the company belongs.
 - Classification of industries provided by AMFI should be adopted.
 - Presently Industry P/E Ratio used is provided by NSE on a monthly basis. However, the P/E ratio data if not available from BSE/NSE, P/E provided by the Capital Market, Prowess (CMIE), Bloomberg etc. should be taken.
 - (ii) Compute EPS from the latest audited annual accounts. In case the EPS is negative, EPS value shall be considered as zero
 - (iii) Compute capitalised value of EPS at 75% discount $(P/E \times 0.25) \times EPS$
- 1.0.3 Computation of fair value per share to be considered for valuation at 10 % discount for illiquidity. $[(\text{Net worth per share} + \text{Capitalised value of EPS}) / 2] \times 0.90$
- 1.0.4 In case the latest balance sheet i.e. balance sheet prepared within nine months from the close of the accounting year of the company, is not available (unless the accounting year is changed) the shares should be valued at zero.
- 1.0.5 Srei Mutual Fund (IDF) would value such security at market price or fair value as computed above, whichever is less.

1.3 VALUATION OF UNLISTED EQUITY:

- A. SEBI Circular No. MFD/CIR/03/526/2002 dated May 9, 2002 has prescribed the method of valuation for unlisted equity securities. These guidelines are similar to the guidelines issued by SEBI for non traded / thinly traded securities mentioned above only except the following:
- 1.1.1 To ensure uniformity in calculation of NAV the following guidelines are issued:
- 1.3.1 1 Methodology for Valuation - unlisted equity shares of a company shall be valued "in good faith" as below:
- 2. Based on the latest available audited balance sheet, Net Worth shall be calculated as the lower of item (1) and (2) below:
 - 1. Net Worth per share = $[\text{Share Capital} + \text{Free Reserves (excluding revaluation reserves)} - \text{Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses}] / \text{Number of Paid up Shares}$.
 - 2. After taking into account the outstanding warrants and options, Net Worth per share shall again be calculated and shall be = $[\text{Share Capital} + \text{consideration on exercise of Option and/or Warrants received/receivable by the Company} + \text{Free Reserves (excluding Revaluation Reserves)} - \text{Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses}] / \text{Number of Paid up Shares plus Number of Shares that would be obtained on conversion and/or exercise of Outstanding Warrants and Options}$.
 - 3. The lower of (1) and (2) above shall be used for calculation of Net Worth per share and for further calculation in (c) below.
 - 3. Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which shall be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75 per cent. i.e. only 25 per cent of the industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share (EPS) of the latest audited annual accounts will be considered for this purpose.

4. The value as per the Net Worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15 per cent for illiquidity so as to arrive at the fair value per share.
- 1.3.1. 2 The above valuation methodology shall be subject to the following conditions:
 - a. All calculations shall be based on audited accounts.
 - b. If the latest Balance Sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.
 - c. If the Net Worth of the company is negative, the share would be marked down to zero.
 - d. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
 - e. In case an individual security accounts for more than 5 per cent of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5 per cent of the total assets of the scheme, it shall be valued in accordance with the procedure as mentioned above on the date of valuation.
 - 1.1.2 At the discretion of the AMCs and with the approval of the Trustees, unlisted equity shares may be valued at a price lower than the value derived using the aforesaid methodology.
 - 1.1.3 Due Diligence
 - 1.1.3.1 Mutual Funds shall not make Investment in unlisted equity shares at a price higher than the price obtained by using the aforesaid methodology. However, this restriction is not applicable for investment made in the Initial Public Offers (IPOs) of the companies or firm allotment in public issues where all the regulatory requirements and formalities pertaining to public issues have been complied with by the companies and where the Mutual Funds are required to pay just before the date of public issue.
 - 1.1.3.2 The Board of the AMC and Board of Trustees shall lay down the parameters for investing in unlisted equity shares. They shall pay specific attention as to whether due diligence was exercised while making such investments and shall review the performance of such investments in their periodical meetings
- 1.4 VALUATION OF NON -TRADED WARRANTS:**
- As per Eighth Schedule to SEBI (Mutual Fund) Regulations
- ✓ Warrants are the entitlements to subscribe for the shares at a predetermined price at a later date in future.
 - ✓ In respect of warrants to subscribe for shares attached to instruments, the warrants can be valued similarly to the valuation of convertible portion of debentures as mentioned in the paragraph 2.3, as reduced by the amount which would be payable on exercise of the warrant.
 - ✓ However, as the warrants can be converted only after few years, it would be appropriate to discount the value of this entitlement and find out the present value of the warrants. (The benchmark that can be considered for discounting could be interest rate for the comparable period, prevailing in the market.)
Value of Warrant = Present Value of [Value of underlying shares - exercise price]
 - ✓ If the amount payable on exercise of the warrants is higher than the value of the share, the value of the warrants should be taken as zero.
- 1.5 VALUATION OF PREFERENCE SHARES:**
- SEBI has not prescribed any methodology for valuation of preference shares. Valuation of non-traded preference shares would depend on the terms of issue of preference shares. i.e. convertible/non-convertible.
- ✓ Convertible preference shares should be valued like convertible debentures (As stated in Para 2.5)
 - ✓ Non-convertible preference shares should be valued like debentures. However, if company does not pay dividend in any year, it would be treated like non-performing debentures.
- 1.6 VALUATION OF SHARES ON DE-MERGER:**
- On de-merger following possibilities arise which influence valuation these are:
- i. Both the shares are traded immediately on de-merger: In this case both the shares are valued at respective traded prices.
 - ii. Shares of only one company continued to be traded on de-merger: Traded shares is to be valued at traded price and the other security is to be valued at traded value on the day before the de merger less value of the traded security post de merger. In case value of the share of de merged company is equal or in excess of the value of the pre de merger share, then the non-traded share is to be valued at zero.
 - iii. Both the shares are not traded on de-merger: Shares of de-merged companies are to be valued equal to the pre de merger value up to a period of 30 days from the date of de merger. The market price of the shares of the de-

merged company one day prior to ex-date can be bifurcated over the de-merged shares. The market value of the shares can be bifurcated in the ratio of cost of shares.

In case shares of both the companies are not traded for more than 30 days, these are to be valued as unlisted security.

2. Valuation of Securities under Infrastructure Debt Fund

1. As stated under Chapter VI- B, 49Q, of the SEBI (Mutual Funds) (Amendment) Regulations, 2011, the investments held by an infrastructure debt fund scheme shall be valued "in good faith" by the asset management company on the basis of appropriate valuation methods based on principles approved by the trustees.
2. The valuation shall be documented and supporting data in respect of each security so valued shall be preserved at least for a period of five years after the expiry of the scheme
3. The methods used to arrive at valued "in good faith" shall be periodically reviewed by the Trustees and by the statutory auditors of the mutual fund.
4. The valuation policy approved by the board of the asset management company shall be disclosed in the scheme information document
5. The net asset value of every infrastructure debt fund scheme shall be calculated and declared atleast once in each quarter.

3. Thinly traded Debt Securities

A debt security (other than Government Securities) shall be considered as a thinly traded security if, on the valuation date, there are no individual trades in that security in marketable lots (currently applicable) on the principal Stock Exchange or any other Stock Exchange.

Valuation of Securities

3.1 Traded Securities:

When a debt security (other than Government Securities) is not traded on any Stock Exchange on any particular valuation day, the value at which it was traded on the principal Stock Exchange or any other Stock Exchange, as the case may be, on the earliest previous day may be used provided such date is not more than fifteen days prior to valuation date. When a debt security (other than Government Securities) is purchased by way of private placement, the value at which it was bought may be used for a period of fifteen days beginning from the date of purchase.

3.2 Non-Traded /and/or Thinly Traded Securities:

AMCs shall value non traded and/or thinly traded securities "in good faith" based on the Valuation norms prescribed below:

3.3 Non traded/thinly Traded Debt security

A thinly traded debt security as defined above shall be valued as per the norms for non traded debt security.

a. Valuation of money market and debt securities with residual maturity of upto 60 days:

1. All money market and debt securities, including floating rate securities, with residual maturity of upto 60 days are not traded on a particular valuation day they shall be valued on amortization basis. It is further clarified that in case of floating rate securities with floor and caps on coupon rate and residual maturity of upto 91 days then those shall be valued on amortization basis taking the coupon rate as floor.

b. Valuation of money market and debt securities with residual maturity of over 60 days:

1. All money market and debt securities, including floating rate securities, with residual maturity of over 60 days are not traded on a particular valuation day they shall be valued at benchmark yield/ matrix of spread over risk free benchmark yield obtained from agency(ies) entrusted for the said purpose by AMFI.
2. The approach in valuation of non traded debt securities is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the non traded security.
3. The Yields for pricing the non traded debt security would be arrived at using the process as defined below.

Step 1: A Risk Free Benchmark Yield is built using the government securities as the base. Government securities are used as the benchmarks as they are traded regularly; free of credit risk; and traded across different maturity spectrums every week.

Step 2: A Matrix of spreads (based on the credit risk) are built for marking up the benchmark yields. The matrix is built based on traded corporate paper on the wholesale debt segment of an appropriate stock exchange and the primary market issuances. The matrix is restricted only to investment grade corporate paper.

Step 3: The yields as calculated above are Markedup/ Marked-down for ill-liquidity risk

Step 4: The Yields so arrived are used to price the portfolio

c. **Methodology:**

c.1. Construction of Risk Free Benchmark

Using Government of India dated securities; the Benchmark shall be constructed as below:

- a. Government of India dated securities will be grouped into various duration buckets such as 0.25- 0.5 yrs, 0.5-1 year, 1-2 years, 2-3 years, 4-5 years, 5-6 years and 6 years and the volume weighted yield would be computed for each bucket. These duration buckets may be changed to reflect the market value more closely by any agency suggested by AMFI giving benchmark yield/ matrix of spreads over benchmark yield.
- b. The benchmark as calculated above will be set at least weekly, and in the event of any significant movement in prices of Government Securities on account of any event impacting interest rates on any day such as a change in the Reserve Bank of India (RBI) policies, the benchmark will be reset to reflect any change in the market conditions.

c.2 Building a Matrix of Spreads for Marking-up the Benchmark Yield

- I. Mark up for credit risk over the risk free benchmark YTM as calculated in c.1 above, will be determined using the trades of corporate debentures/bonds of different ratings. All trades on appropriate stock exchange during the fortnight prior to the benchmark date will be used in building the corporate YTM and spread matrices. The matrices are dynamic and the spreads will be computed every week. The matrix will be built for all duration buckets for which the benchmark GOI matrix is built to effectively link the corporate matrix with the GOI securities matrix. Accordingly:
 - a. All traded paper (with minimum traded value of Rs. 1 crore) will be classified by their ratings and grouped into 7 duration buckets; for rated securities, the most conservative publicly available rating will be used;
 - b. For each rating category, average volume weighted yield will be obtained both from trades on the appropriate stock exchange and from the primary market issuances
 - c. Where there are no secondary trades on the appropriate stock exchange in a particular rating category and no primary market issuances during the fortnight under consideration, then trades on appropriate stock exchange during the 30 day period prior to the benchmark date will be considered for computing the average YTM for such rating category;
 - d. If the matrix cannot be populated using any or all of the above steps, then credit spreads from trades on appropriate stock exchange of the relevant rating category over the AAA trades will be used to populate the matrix;
 - e. In each rating category, all outliers will be removed for smoothening the YTM matrix;
 - f. Spreads will be obtained by deducting the YTM in each duration category from the respective YTM of the GOI securities;
 - g. In the event of lack of trades in the secondary market and the primary market the gaps in the matrix would be filled by extrapolation. If the spreads cannot be extrapolated for the reason of practicality, the gaps in the matrix will be filled by carrying the spreads from the last matrix.
 - h. Accordingly, all Mutual Funds shall provide transaction details of various types of debt securities like NCDs, Mibor linked floaters and CPs on daily basis in the prescribed format to the agency recommended by AMFI. Submission of data would help in daily matrix generation, would improve uniformity and accuracy of valuation in the Mutual Funds industry.

c.3 Mark-up/Mark-down Yield

The Yields calculated would be marked-up/marked-down to account for the illiquidity risk, promoter background, finance company risk and the issuer class risk. As the level of illiquidity risk would be higher for non rated securities the marking process for rated and non rated securities would be differentiated as follows:

- a) Adjustments for Securities rated by external rating agencies

Category	Discretionary mark up/mark down	
	+	-
Rated instruments with duration upto 2 years	300 bps	50 bps
Rated instruments with duration over 2 years	300 bps	25 bps

- b) Adjustments for Unrated Securities

To value an un-rated security, the fund manager shall assign an internal credit rating, which will be used for valuation.

Category	Discretionary mark up/mark down
Unrated instruments with any duration	Discretionary discount of upto + 300 bps over and above mandatory discount of +50 bps

- c) Wherever the securities are unrated (or the relevant valuation matrix benchmark is unavailable), valuation may be arrived at subjectively taking into account valuation for similar such securities wherever available.
- d) Securities not covered in the above category

The securities that do not fall under any of the above category mentioned above shall be valued on a quarterly basis by an independent valuer to be appointed by the AMC. Such valuations will be reviewed by the Fund's auditors. The expenses connected with the valuations shall be borne by the AMC.

The benchmark yield/ matrix of spreads over risk free benchmark yield obtained from any agency suggested by AMFI, must be applied for valuation of securities on the day of release of such benchmark yield/ matrix of spreads by the aforesaid agency.

- The steps for valuation of Non traded debt securities are as follows:
 - i. all AMCs are required to provide transaction details including inter scheme transfer of various types of Debt Securities such as NCDs, CPs etc. on a daily basis in the prescribed format to the CRISIL/ ICRA.
 - ii. CRISIL will automatically provide the average as an output after taking as inputs the data feeds from CRISIL and ICRA.
 - iii. However, should the spread between the 2 Models (on pricing) be more than 5 percent (tolerance limit), then the Fund Houses should advise both Valuation Metric providers to revisit the pricing for that specific security.
 - iv. In the event of time constraint on such revisiting – for NAV computation – then, the AMC may arrive at a fair value based on the average of the 2 Models”.
 - v. Use the Mark up /Mark down discretionary power for valuation.
 - vi. Same price needs to be considered for the particular security across all the schemes.
 - vii. Valuation needs to be done on trade date and not on settlement date.

4. **Valuation of securities with Put/Call Options:**

The option embedded securities would be valued as follows:

a. **Securities with call option**

The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.

b. **Securities with Put option**

The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instruments.

c. **Securities with both Put and Call option on the same day**

The 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.

5. **Valuation of Convertible Debenture**

As per Eighth Schedule of SEBI (Mutual Fund) Regulations, method of valuation of convertible debentures is prescribed.

Non-convertible and convertible components are valued separately.

- A. The non-convertible component shall be valued on the same basis as would be applicable to a non-convertible debt instrument mentioned at clause 2 above.
- B. The convertible component to be valued as follows:
 - i. Ascertain
 - ✓ The number of shares to be received after conversion.
 - ✓ Whether the shares would be pari passu for dividend on conversion.
 - ✓ The rate of last declared dividend.
 - ✓ Whether the shares are presently traded or non traded/thinly traded.
 - ✓ Market rate of shares on the date of valuation
 - ii. In case the shares to be received are, on the date of valuation, are thinly traded / non-traded, these shares to be received on conversion are to be valued as thinly traded / non-traded shares as stated at para 1.2 above.

- iii. In case the shares to be received on conversion are not non-traded or thinly traded on the date of valuation and would be traded pari passu for dividend on conversion:
 - a) Number of shares to be received on conversion, per convertible debenture, multiplied by the present market rate
 - b) Determine the discount for non-tradability of the shares on the date of valuation.

(This discount should be determined in advance and to be used uniformly for all the convertible securities. Rate of discount should be documented and approved by Valuation Committee. Prevailing interest rate for the similar period could be considered as bench mark for determining the discount) Value = (a)*market rate [1-(b)]
- iv. In case of optionally convertible debentures, two values must be determined assuming both, exercising the option and not exercising the option.
 - ✓ If the option rests with the issuer, the lower of the two values shall be taken as the valuation of the optionally convertible portion, and;
 - ✓ If the option rests with the investor, the higher of the two values shall be taken.

6. **VALUATION OF FLOATING RATE NOTES (FRNs) AND INVERSE FLOATER:**

Interest on FRNs and Inverse Floaters is floating w.r.t. benchmark interest rates such as NSE MIBOR etc. In case of FRNs interest is normally determined at benchmark plus mark-up and in case of Inverse Floaters interest rate is determined at fixed interest rate less benchmark interest rate.

Non-traded floating Rate Notes to be valued as follows:

Interest Reset Date < 182 days OR Put/call or Maturity date < 182 days	Amortise from last traded yield till next interest reset date
Interest Reset Date > 182 days AND Put/call or Maturity date > 182 days	Amortise from last traded yield till next interest reset date

7. **SECURITISED DEBT:**

In case of securitized debt, the redemption of principal amount takes place at determined periodicity i.e. monthly, quarterly etc. Expected cash flow statements received from the issuer should be entered in the security master of the CRISIL Bond Valuer. Subsequent change, if any, in the future cash flow is updated in the security master.

In case of valuation of PTC, calculate the average maturity of the security and then calculate the modified duration using the yield. The modified duration will be used to determine whether the PTC will be amortized or valued. If modified duration is greater than 0.5, the security would be valued as per the CRISIL Bond Valuer. In case, modified duration is less than 0.5, the security would be amortised on the basis of the yield at which it was valued one day prior to amortisation date.

In case of valuation of FRN PTCs, valued at cost, interest will be accrued as defined in the term sheet.

8. **Valuation of Reverse Repo (Purchase and Sale Back) Transaction:**

Eighth Schedule to SEBI (Mutual Fund) Regulation has spelt out briefly the methodology for valuation of Repo Instruments.

Where investments have been bought on “repo” basis, the instrument must be valued at the resale price after deduction of applicable interest upto date of resale. Where an instrument has been sold on “repo” basis, adjustment must be made for the difference between the repurchase price (after deduction of applicable interest upto the date of repurchase) and the value of the instrument. If the repurchase price exceeds the value, the depreciation must be provided for and if the repurchase price is lower than the value, credit must be taken for the appreciation.

9. **Non Performing Assets (NPA)**

An “asset” shall be classified as non-performing, if the interest and/or principal amount have not been received or remained outstanding for one quarter from the day such income / installment has fallen due.

The valuation of Non Performing Assets (NPA) would be in accordance with SEBI Circular No. MFD/ CIR/8/92/2000 dated September 18, 2000, SEBI Circular No. MFD/CIR/8(a)/104/2000 dated October 03, 2000 and SEBI Circular no. MFD / CIR /14 / 088 / 2001 dated March 28, 2001 as amended from time to time.

10. **Valuation of securities not covered under the current valuation policy:**

In case of securities purchased by mutual funds do not fall within the current framework of the valuation of securities then such mutual fund shall report immediately to AMFI regarding the same.

In the interim period, till AMFI makes provisions to cover such securities in the valuation of securities framework, the mutual funds shall value such securities using their proprietary model which has been approved by their independent trustees and the statutory auditors.

V. TAX & LEGAL & GENERAL INFORMATION

A. TAX INFORMATIONS

I. Tax treatment for Investors (unit holders) and the Mutual Fund

As per the taxation laws in force as at the date of the document, and as per the provisions contained in the Income tax Act, 1961 ('the Act') as amended by the Finance Act, 2013, certain benefits are available to the mutual fund and the investors in mutual funds. The same are stated below:

Note:

The tax benefits described in this document are as available under the present taxation laws and are available subject to fulfillment of stipulated conditions. **The information given is included only for general purpose, regarding the law and practice currently in force in India and Investors should be aware that the relevant fiscal rules or their interpretation may change. In view of the individual nature of tax implication, each investor is advised to consult his/her own tax advisor to understand the tax implications in respect of an investment decision.**

FOR THE MUTUAL FUND:

1. Registered with SEBI

Srei Mutual Fund (IDF) is registered with SEBI and is as such eligible for benefits under section 10(23D) of the Act. Accordingly its entire income is exempt from tax.

2. Income Distribution Tax

Tax on Income Distribution by a Non-Equity Oriented Mutual Fund (other than a Money Market Mutual Fund or Liquid Fund)

Income distribution, if any, made by a non-equity oriented mutual fund not being a Money Market Mutual Fund or a Liquid Fund will attract distribution tax under section 115R of the Act at the following rates:

From June 1, 2013 onwards

- 25% on income distributed to any person being an individuals and HUFs; and
- 30% plus on income distributed to any person other than individuals and HUFs.
- 5% where any income is distributed by a mutual fund under an Infrastructure Debt Fund scheme to non –resident (not being a company) or a foreign company.

3. No tax deducted at source (TDS) on receipt of income

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

4. Service tax

The activities of Asset Management Companies (AMCs) / Mutual Funds are covered under the category of "Business Auxilliary 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 12.36% (inclusive of education cess of 3%).

FOR UNIT HOLDERS:

1. Income distributed in respect of units

Income (other than income arising from transfer of units) distributed to unit holders in respect of the units of the Mutual Fund after deduction of income distribution tax, is exempt from tax under section 10(35) of the Act.

2. Capital Gain

As per section 2(29A) 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; in all other cases, they would be treated as short-term capital assets.

Rates of tax and tax deducted at source (TDS) under the Act for Capital Gains on units of Non-Equity oriented Fund:

	Resident Individual	Resident Company	FII Section 115AD not for units	Non Resident Individual/Foreign Company
Long Term Capital Gain				
Tax Rate	20% with indexation or 10% without indexation (whichever is lower) (section 112 of the Act)	20% with indexation or 10% without indexation (whichever is lower) (section 112 of the Act)	10% without indexation (section 115AD of the Act)	Unlisted Securities – 10% without indexation (Refer Note 3) Listed Securities – 20% (section 112 of the Act)

	Resident Individual	Resident Company	FII Section 115AD not for units	Non Resident Individual/Foreign Company
TDS	Nil	Nil	10%	Unlisted Securities – 10% Listed Securities – 20%
Short Term Capital Gain				
Tax Rate	Normal Rates of tax	30%	30% (section 115AD of the Act)	Foreign Company – 40% Other non residents – Normal Rates of tax
TDS	Nil	Nil	30%	Foreign Company – 40% Other non residents – 30%

Specified overseas financial organizations

As per the provisions of section 115AB of the Act, long-term capital gains arising on sale transfer of units purchased in foreign currency shall be liable to tax at the rate of 10 per cent. However, such gains shall be computed without the benefit of cost indexation.

Short-term capital gains arising on sale/ transfer of units would be taxed at 40 per cent in case of foreign companies.

Note 1: The above tax rate will further include surcharge & education cess.

Note 2: 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 or at the rate provided in DTAA, whichever is more beneficial to the assessee.

Note 3: Indexation means adjusting the actual cost of acquisition by applying to the original cost, the cost inflation index notified by the Central Government for the year in which the units are sold, redeemed otherwise transferred.

3. Capital Losses

The capital losses resulting from the sale of units would be available for setting off against capital gains which would reduce the tax liability of the unit holder to that extent. However the losses on transfer of **long term capital assets** 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** 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. However, no set-off or carry forward can be claimed in respect of capital loss arising on sale of a long term capital asset to which section 10(38) of the Act applies.

4. Capital loss arising on account of dividend declaration.

As per section 94 (7) of the Act, as in computing the income 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 sold within 9 months of the record date, shall be ignored to the extent of income on such units (such income being tax exempt).

5. Capital loss arising on account of bonus declaration

As per section 94(8) of the Act, the loss arising on sale of original units (wholly or partly), which were bought within a period of 3 months prior to the record date (i.e. the date fixed by the Mutual Fund for the purposes of entitlement of bonus units to the unit holders) and sold within 9 months of the record date, shall be ignored for the purpose of computation of income chargeable to tax. However, such loss shall be considered as the cost of acquisition of the 'bonus shares' of the unit holders.

6. Exemption under Section 54EC

The long term capital gain (other than units exempt from long term capital gain tax under section 10(38) of the Act) would not be subject to tax in terms of Section 54EC of the Act, if the entire capital gain realized in respect of such units (other than of equity oriented mutual fund) is invested within six months from the date of transfer in the redeemable bonds issued by the specified undertakings.

7. Investments by charitable and religious trusts

Units of a Mutual fund Scheme referred to in section 10(23D) constitutes an eligible avenue for investment by charitable or religious trusts per rule 17C of the Income Tax Rules, 1962, read with sections 11(2) & 11(5)(xii) of the Act.

8. Wealth Tax

Units in a scheme 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.

9. Gift Tax

The Gift Tax Act, 1958 has ceased to apply to gifts made on or after October 1, 1998. Gifts of Units purchased under a plan, would therefore, be exempt from gift tax. Where, however, a gift of units in a mutual fund scheme exceeding Rs. 50,000/- is made on after 01.09.04, the value of is to be included as income in the hands of donee (recipient of the gift) under section 2(24)(xiii) read with section 56(2)(v).

B. Legal Information

Nomination Facility

A Unit Holder can, at the time an application is made or by subsequently writing to the Registrar/AMC, request for a nomination form in order to nominate one or more person(s) to receive the Units upon his / her death, subject to the completion of certain necessary formalities and furnishing of such documents as may be required from the nominee in favour of and to the satisfaction of the AMC/Registrar. **Investors may note that nomination is now mandatory.**

The maximum number of nominees shall be 3 (three). Unit holders shall be required to indicate clearly the percentage of allocation of Units in favour of each nominee. If a Unit Holder does not indicate the percentage of allocation, transfer of Units in favour of the nominees / payment to the nominees shall be made in equal proportion by the AMC.

Nomination can be made only by individuals on their own behalf, either singly or jointly. If the Units are held jointly, all joint Unit Holders must sign the nomination form. Only the following categories of Indian residents can be nominated: (a) individuals; (b) minors through parent / legal guardian (whose name and address must be provided); (c) religious or charitable trusts; and (d) Central Government, State Government, a local authority or any person designated by virtue of his office. If the nominee falls under the category of "Who cannot invest", the AMC shall reject the nomination form while the valid Application Form will be accepted and processed.

A nomination in respect of Units will be treated as rescinded upon redemption of the Units.

Cancellation of a nomination can be made only by the Unit Holders who made the original nomination, and must be notified in writing. On receipt of a valid cancellation, the nomination shall be treated as rescinded and the AMC / Fund shall not be under any obligation to transfer the Units in favour of the nominee(s).

At the time of transfer of Units to the nominee(s), if based on the documents submitted for such transfer, the nominee(s) fall under the category of "Who cannot invest", the Units proposed to be transferred shall be compulsorily redeemed immediately after transfer and the redemption proceeds will be paid to the nominee(s). Transfer of Units / payment to the nominee(s) of the redemption proceeds shall be valid and effectual against any demand made upon the Fund / AMC / Trustee and shall discharge the Fund / AMC / Trustee of all liability towards the estate of the deceased Unit Holder and his / her legal personal representative or other successors. The Fund, the AMC and the Trustee are entitled to be indemnified from the deceased Unit Holder's estate against any liabilities whatsoever that any of them may suffer or incur in connection with the nomination.

Standardisation of process regarding investment made on behalf of minors, Registration of nominee and Transmission of units

AMFI Best Practice Guidelines dated 28th January, 2011 recommended a standardized procedure in case of investments made on behalf of Minors, minors attaining majority, change in guardian, Nomination facility and Transmission facility.

In this regard, notice is hereby given that the following procedures will be made effective from 1st April, 2011.

- **On behalf of Minor' accounts :**
 - Minor has to be the first and sole holder in a folio.
 - Guardian, being a natural (father or mother) or a court-appointed guardian shall submit supporting documents to the AMC / Registrar evidencing the relationship / Status of the guardian.
 - Date of birth of minor and supporting documents thereof (i.e. Birth Certificate, School leaving certificate, Passport or any other document evidencing the date of birth of minor) to be provided mandatorily while opening the folio on behalf of a minor.
- **Minor attaining majority:**
 - In case of a minor investor attaining the age of majority (i.e. completes 18 years of age), the AMC / Registrar will send an advance notice advising the guardian and minor to submit an application along with prescribed documents for changing the status in the Fund's records from 'Minor' to 'Major'.
 - The guardian cannot undertake any financial and non-financial transactions including fresh registration of Systematic Transfer Plan (STP), Systematic Investment Plan (SIP) and Systematic Withdrawal Plan (SWP) 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 / Registrar.
 - In case of existing standing instructions including STP, SIP and SWP registered prior to the minor attaining majority, the AMC / Registrar shall send an advance notice to the registered correspondence address advising the guardian and the minor that the existing standing instructions will continue to be processed beyond the date of the minor attaining majority till the time a instruction from the major to terminate the standing instruction is received by the mutual fund along with the prescribed documents. Such instructions to terminate the standing instruction shall be implemented within 30 days from the date of the instruction.
- **Change in Guardian:**
 - In case there is a change in guardian of the minor, the new guardian must be either a natural guardian (mother/father) or court appointed guardian and such guardian will have to provide valid prescribed document/s prior to registering the guardianship including Know Your Customer (KYC) related evidence and bank attestation of his/her signature from the Branch Manager of the bank with whom his/her name is registered as the guardian of the minor.
- **Nomination facility:**
 - Nomination will be mandatory for new folios opened by individuals especially where the investments are being made in Single holding.

- Nomination will not be permitted in a folio held on behalf of a minor.
- In case of joint holders, all holders will have to sign the request for nomination/cancellation of nomination, irrespective of the mode of holding.
- Nomination form cannot be signed by holder/s of Power of Attorney (PoA).
- Investors who do not wish to appoint a nominee must sign separately (provided in the application form) confirming their intention for not appointing a nominee.
- **Transmission:**
 - In case of transmission of units (i.e. where the sole/ first unitholder or any of the joint unitholders/ all unitholders have deceased, the claimant/s have to submit requisite valid documents for the transmission of units in his/her name. Please refer to the para of Transmission for the requirement of various documents that needs to be submitted under different transmission scenarios.
 - In the event of transmission of units in favor of a minor, the guardian (father/mother/court appointed guardian) must submit prescribed documents including PAN, KYC, banker's attestation of his/her signature, indemnity as per prescribed format etc.
 - The AMC may seek additional documents if the amount involved in transmission is more than Rs 1 lakh, on a case-to-case basis or depending upon the circumstances of each case.

Transfer of units

Units of the Schemes held in physical form shall be non-transferable. However, if a person becomes a holder of the Units consequent to operation of law or upon enforcement of a pledge, the Mutual 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., and the transferee's name will be recorded by the Mutual Fund subject to production of satisfactory evidence.

Further for units of the Schemes held in electronic (demat) form, the Units will be transferable (in terms of SEBI circular number CIR/IMD/DF/10/2010 dated August 18, 2010) 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.

Transmission of units

(i) Transmission to surviving Unit holders in case of death of one or more Unit holders:

In case units are held by more than one registered unit holder, then upon death of first unit holder, units shall be transmitted in favour of the second named holder on production of the following documents to the satisfaction of the Mutual Fund, AMC /Trustee or Registrar:

- a. Letter from surviving Unit holder(s) or the surviving Unit holders requesting for transmission of Units;
- b. Death Certificate/s in original or photocopy duly notarized or attested by gazette officer or a bank manager;
- c. Bank Account Details of the new first Unit holder along with attestation by a bank branch manager or cancelled cheque bearing the account details and account holders name; and
- d. KYC of the surviving Unit holders, if not already available.

(ii) Transmission to registered nominee(s) in case of death of sole or all Unit holders:

Units shall be transmitted in favour of the registered nominee(s) in case of death of sole or all Unit holders upon production of the following documents to the satisfaction of the Mutual Fund, AMC/ Trustee or Registrar:

- a. Letter from claimant nominee(s) requesting for transmission of Units;
- b. Death Certificate(s) in original or photocopy duly notarized or attested by gazette officer or a bank manager;
- c. Bank Account Details of the new first Unit holder along with attestation by a bank branch manager or cancelled cheque bearing the account details and account holders name;
- d. KYC of the claimant(s); and
- e. If the transmission amount is Rs One Lakh or more an indemnity duly signed and executed by the nominee(s).

(iii) Transmission to claimant(s), where nominee is not registered, in case of death of sole or all Unit holders:

If the Unit holder has not appointed a nominee, the Units shall be transmitted in favour of the Unit holder's executor / administrator of estate/legal heir(s), as the case may be, on production of the following documents, in addition to the documents mentioned in (i) above, to the satisfaction of the Mutual Fund, AMC/Trustee or Registrar:

- a. Indemnity Bond from legal heir(s);
- b. Individual affidavits from legal heir(s);
- c. If the transmission amount is below Rs. One Lakh: any appropriate document evidencing relationship of the claimant/s with the deceased Unit holder(s);
- d. If the transmission amount is Rs One Lakh or more: Any one of the documents mentioned below:
 - Notarised 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.

(iv) 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 who appoint the new Karta need to submit following documents for transmission:

- a. Letter Requesting for change of Karta;
- b. Death Certificate in original or photocopy duly notarized or attested by gazette officer

Lien on Units

Subject to the extant provisions of the applicable laws, as and when an investor makes an application for subscription of Units, a lien on units allotted to the Investor will be forthwith created and such lien shall remain in force and effect until the payment proceeds towards such subscription are realized by the Fund. During such period such Units cannot be redeemed by the Investor. However, in case a Unitholder makes application for redemption of Units during the period when such lien is in force, the cheque towards the redemption amount of such Units will not be dispatched until the amount(s) towards the subscription of the Units has been received / credited with the Fund.

In case the cheque / draft of the Investor towards subscription amount is dishonoured by the bank, the entire transaction shall be reversed and the Units allotted earlier to such Investor will be cancelled, and a fresh Statement of Account / rejection letter shall be dispatched to the Investor.

In respect of investment by NRIs, the Fund, in addition to the above circumstance(s), may also mark a lien on Units in case all the documents which are required to be submitted with the Fund are not given. Notwithstanding the aforesaid, SMFAMPL reserves the right to modify operational guidelines from time to time with respect to the lien on Units.

Requirements of Prevention of Money Laundering

Please refer note on 'Prevention of Money Laundering and Know Your Customer (KYC) requirements under section II -'How to apply'.

Suspension of Sale and Redemption of Units

The Trustee and the Board of Directors of the AMC may decide to temporarily suspend determination of NAV of the Scheme offered under this Document, and consequently sale and redemption of Units, 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 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. If so directed by SEBI.

In the above eventualities, the time limits indicated above, for processing of requests for purchase and redemption of Units will not be applicable.

Suspension or restriction of repurchase/ redemption facility under any scheme of the mutual fund shall be made applicable only after obtaining the approval from the Boards of Directors of the AMC and the Trustees. After obtaining the approval from the AMC Board and the Trustees, an intimation would be sent to SEBI in advance providing details of circumstances and justification for the proposed action shall also be informed.

Unclaimed redemption amount

The unclaimed Redemption amount may be deployed by the Mutual Fund 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. After a period of three years, this amount will 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 will be used for the purpose of investor education. The AMC will make continuous efforts 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

Duration of the Scheme / Winding up

In the case of Close ended Scheme, duration is limited and specified in the SID/Placement Memorandum of the respective scheme.

Winding up of the scheme:

A Scheme may be wound up, after repaying the amount due to the Unitholders,-

1. On happening of any event, which in the opinion of the Trustee, requires the Scheme to be wound up, or
2. If seventy five percent (75%) of the Unitholders of the Schemes pass a resolution that the Scheme be wound up, or
3. If SEBI so directs in the interest of the Unitholders or

4. In case of non-fulfillment of condition prescribed in terms of minimum number of investors vide SEBI circular No. SEBI/IMD/CIR No.10/22701/03 dated December 12, 2003.

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

- a) SEBI and,
- b) In two daily newspapers with circulation all over India and in one vernacular newspaper circulating at the place where the mutual fund is formed.

Effect of winding up:

On and from the date of the publication of notice under clause (b) of sub- regulation (3) of regulation 39, the trustee or the asset management Company as the case may be, shall-

- a) Cease to carry on any business activities in respect of the Scheme so wound up;
- b) Cease to create or cancel Units in the Scheme;
- c) Cease to issue or redeem Units in the Scheme.

Procedure and manner of Winding Up:

- a. The Trustee shall call a meeting of the Unitholders to consider and pass necessary resolutions by simple majority of the Unitholders present and voting at the meeting for authorizing the Trustee or any other person to take steps for winding up the Scheme concerned.

Provided that a meeting of the unit holders shall not be necessary if the scheme is wound up at the end of maturity period of the scheme.

- b. The Trustee or the person authorized as above, shall dispose off the assets of the Scheme concerned in the best interest of the Unitholders of that Scheme.
- c. The proceeds of the sale made in pursuance of the above, shall, in the first instance, be utilized towards discharge of such liabilities as are properly due under the Scheme and after making appropriate provision for meeting the expenses connected with such winding up, the balance shall be paid to the Unitholders in proportion to their respective interests in the assets of the Scheme as on the date when the decision for the winding up was taken.
- d. On completion of the winding up, the Trustee shall forward to the Board and the Unitholders, a report on the winding up containing particulars such as circumstances leading to the winding up, steps taken for the disposal of the assets of the Fund before winding up, expenses of the Fund for winding up, net assets available for distribution to the Unitholders and a certificate from the Auditors of the Scheme concerned.
- e. Notwithstanding anything contained herein, the provisions of the Regulations in respect of the disclosure of half-yearly reports and annual reports shall continue to apply. After the receipt of the report referred to above under 'Procedure and Manner of Winding Up', if SEBI is satisfied that all measures for winding up of the Scheme concerned have been completed, the Scheme shall cease to exist.

Disclaimer in respect of marketing of Schemes outside India

The Units of all Schemes are being offered in pursuance of the SID/Placement Memorandum of the respective Schemes, as amended and updated, which has been filed only with SEBI in India.

The distribution of the SID/Placement Memorandum, read with this SAI and the offering, subscription, sale or transfer of the Units thereof in certain jurisdictions may be restricted or regulated by appropriate laws. No action has been or will be taken in any jurisdiction that would permit or tantamount to permit a public offering of the Units or the possession, circulation or distribution of the SID/Placement Memorandum or SAI or any other offering, marketing or publicity material relating to any Scheme or the Units, in any country or jurisdiction (other than India), where any action for such purpose(s) is required.

Accordingly, the Units may not be marketed or offered or sold, directly or indirectly, and neither the SID/Placement Memorandum nor the SAI or any other offering, marketing material, circular, form of application or advertisement in connection with the Units (collectively referred to as "Offering Material") may be distributed or published, in or from any country or jurisdiction unless such marketing, offer or sale or circulation, etc is in compliance with all applicable laws and regulations of any such country or jurisdiction. The Offering Material does not constitute, and the AMC (SMFAMPL), or Trustees are not making, an offer of, or an invitation to subscribe for or purchase, any of the Units in any jurisdiction in which such offer or invitation would be unlawful.

The Offering Material does not constitute an offer to any person other than to whom it has been issued. It may only be used by those persons to whom it has been delivered in connection with the offering described herein and may neither be copied nor directly or indirectly distributed or made available to other persons, without the express consent of the AMC and/or SMF.

The recipient of the Offering Material is required to read, consent and form his own independent opinion / judgment, as to their investment, at their own cost and expense, and SMF, the AMC, Sponsor and Trustees require such recipient to inform himself about and to observe any restrictions at their own expense, without any liability to SMF, the AMC, the Sponsor or the Trustees

C. General Information

In addition to the following, this section may include information on Underwriting, Securities Lending and Borrowing by the Mutual Funds etc.:

Stock Lending by the Mutual Fund

If permitted by SEBI under extant regulations/guidelines, the scheme may also engage in stock lending. Stock lending means the lending of stock to another person or entity for a fixed period of time, at a negotiated compensation. The securities lent will be returned by the borrower on expiry of the stipulated period.

The Fund may in future carry out stock-lending activity under any of its schemes, in order to augment its income. Stock lending may involve risk of default on part of the borrower. However, this risk will be substantially reduced as the Fund has opted for the "Principal Lender Scheme of Stock Lending", where entire risk of borrower's default rests with approved intermediary and not with the Fund. There may also be risks associated with Stock Lending such as liquidity and other market risks. Any stock lending done by the scheme shall be in accordance with any Regulations or guidelines regarding the same. The AMC will apply the following limits, should it desire to engage in Stock Lending:

- a. Not more than 20% of the net assets can generally be deployed in Stock Lending
- b. Not more than 5% of the net assets can generally be deployed in Stock Lending to any single counter party.

As on date, Srei Mutual Fund (IDF) has not engaged in any stock lending.

Borrowing by Mutual Fund

Under Regulation 44(2) of SEBI (MF) Regulations, 1996, the Fund is allowed to borrow to meet its temporary liquidity need of the Scheme for the purpose of repurchase, redemption of Units or payment of interest or dividend to the Unit holders. Further, as per the Regulation, 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 scheme wise borrowings by the Mutual Fund as on the date of SAI are nil.

If the scheme decides to borrow, it may borrow from any bank(s) or from any other sources as may be decided by the AMC. The loans may be without collateral or may consider using a part of the scheme's assets as collateral with the prior approval of the Board of Directors of the AMC and the Board of Trustees of the scheme.

Inter Scheme Transfer of Investments

The Scheme may purchase / sell securities under the Scheme through the mode of inter-Scheme transfers, if such a security is under the buy / sell list of the Scheme and is on the sell / buy list of another Scheme under the Fund. 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. (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.

The valuation of untraded / unquoted securities and debt instruments shall be done in accordance with the general valuation policies of the Fund. Inter scheme Transfers into liquid schemes would additionally adhere to SEBI circular SEBI/IMD/CIR NO.13/150975/09 dated January 19, 2009.

ASSOCIATE TRANSACTIONS

Who is an Associate?

For the purpose of this section, an associate or group company shall include Srei Infrastructure Finance Limited and its subsidiaries (including AMC), and associates of Srei Infrastructure Finance Limited / Srei Mutual Fund Asset Management Private Limited.

Srei Mutual Fund (IDF) was registered on November 15, 2012 and has not had any transactions with the Sponsor or any of the Sponsor's associates from the date of registration until the date of the Statement of Additional Information.

Investments in Associate or Group Companies of the Sponsor

The Schemes shall adhere to the investment restrictions as prescribed by SEBI regarding investment in the securities of the associate and group companies.

As on date no scheme has been launched yet.

Underwriting obligations with respect to issues of Group/Associate Companies

As on date no scheme has been launched yet.

Subscription in Issues Lead Managed by Associates of Sponsor

As on date there has been no subscription in Issues Lead Managed by Associates of Sponsor of SREI Mutual Fund (IDF).

Associate Brokers

As on date there are no transactions with associate broker.

Agent Commission

For applications directly solicited and collected by the branches of SREI or by any associates, they may also be paid an agent commission at a rate not exceeding the rate of commission being paid to other agents for the scheme.

As on date no scheme has been launched yet, hence agent commission is NIL.

Other Associate Transactions - NIL

Jurisdiction

The jurisdiction for any matters or disputes arising out of the scheme shall reside with the Courts in India.

Documents Available for Inspection

The following documents will be available for inspection at the office of the Mutual Fund at Ground Floor, Executive Block, Paradise, 51K/51L, Bhulabhai Desai Road, Breach Candy, Mumbai - 400026 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
- 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 Investor Services Department at Srei Mutual Fund (IDF) functions under the supervision of Investor Relations Officer. The investor grievances are redressed by the AMC directly and also by our Investor Service Centers (ISC) and Investor Service Desks all over the country.

Our ISCs / ISDs are equipped with upgraded technological facilities to respond to the investor queries. As on date no scheme has been launched hence the statistical data for investor complaints is NIL.

Other Important Information:

(a) Client/Investor information

The Mutual Fund shall presume that the identity of the investor and the information disclosed by him is true and correct. It will also be presumed that the funds invested by the investor in the Schemes of the Mutual Fund come from legitimate sources / manner and the investor is duly entitled to invest the said funds. The Mutual Fund is not, in any way, responsible for correctness of the information provided by the investor to the Mutual Fund, as to his identity or any other information, and also his sources of income.

Where the funds invested are for the benefit of a person (beneficiary) other than the person in whose name the units are issued and registered, the Mutual Fund shall assume that the investor holding the Units in his name is legally authorized / entitled to invest the said funds in the Units of the Mutual Fund, for the benefit of the beneficiaries.

Units of the Schemes are not offered, nor are the Funds managed or intended to serve, as a vehicle for frequent trading that seeks to take advantage of short-term fluctuations in the securities market. This type of trading activity is often referred to as "market timing" and could result in actual or potential harm to the Unit Holders.

Accordingly, the Mutual Fund (MF) at its sole discretion may reject any purchase or exchange of Units that the MF reasonably believes may represent a pattern of market timing activity involving the Schemes of the MF.

(b) Website

The website of the Mutual Fund (the said Website) is intended solely for the use of Resident Indians, Non Resident Indians, persons of Indian Origin, Foreign Institutional Investors registered with Securities and Exchange Board of India and Qualified Foreign Investors. It should not be regarded as a solicitation for business in any jurisdiction other than India. In particular the information is not for distribution and does not constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction where such activity is prohibited including the United States of America. Any person resident outside India who nevertheless intend to respond to this material must first satisfy themselves that they are not subject to any local requirements, which restrict or prohibit them from doing so.

Information other than that relating specifically to the AMC, the Mutual Fund and its products, is for information purposes only and should not be relied upon as a basis for investment decisions. The AMC shall not be responsible, nor be held liable, for any information contained in any website linked from the said Website.

The AMC makes no representations whatsoever about any such website which the user may access through the said Website. A link to another website does not mean that the AMC endorses or accepts any responsibility for the content, or the use, of such website. It is the responsibility of the user to take precautions to ensure that whatever is selected for use is free of such items as viruses and other items of a destructive nature.

The investors are requested to read the Terms and Conditions given on the said Website carefully before using the said Website. By using the said Website, the investor will be deemed to have agreed that the Terms and Conditions specified apply to the use of the investor of the said Website, any information obtained from the site, and our products and services. If the investor does not agree to the specified Terms, the investor may not use the said Website or download any content from it.

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

Sd/-

Name: Krishna Kumar Kushwaha
Designation: Company Secretary & Compliance Officer

Srei Mutual Fund Asset Management Private Limited

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