



IIFCL MUTUAL FUND (IDF)

IIFCL MUTUAL FUND (INFRASTRUCTURE DEBT FUND) – SERIES II

PRIVATE PLACEMENT MEMORANDUM

A 10 years Close Ended Infrastructure Debt Fund Scheme

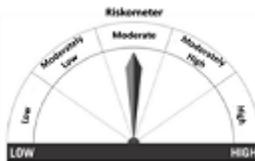
CARE AAA (MF-IDF)#
(Rated by Credit Analysis & Research Limited)
(#for details please refer back cover page)

Brickwork BWR AAAidf mfs##
(Rated by Brickwork Ratings)
(##for details please refer back cover page)

Under Private Placement



Level of Risk



Moderate–Principal at Moderate Risk

IIFCL MUTUAL FUND INFRASTRUCTURE DEBT FUND – SERIES II

A 10 years Close Ended Infrastructure Debt Fund Scheme



Private placement of Units of Rs. 10 Lakhs each during the Placement Period

Placement Period opens on	31st March,2017
---------------------------	-----------------------------------

Placement Period Close date will be informed by way of an addendum to be hosted on www.iifclmf.com

Name of Mutual Fund: IIFCL Mutual Fund (IDF) (“**IIFCL MF**”)

Name of Asset Management Company: IIFCL Asset Management Company Limited (“**IAMCL**”)

Board of Trustees: The Board of Trustees of IIFCL Mutual Fund (IDF) presently, comprises of:

1. Sh. Sanjeev Ghai, Chief General Manager, IIFCL (nominated by IIFCL), who is elected as Chairman of the Board of Trustees of IIFCL MF
2. Sh. B.S. Shekhawat, Field General Manager, Central Bank of India
3. Sh. H. K. Parikh, General Manager, Punjab National Bank
4. Sh. Ajoy Kumar Deb, Retired as Chief General Manager, (Associates & Subsidiaries Group) SBI
5. Sh. J.M.Singh, General Manager, Oriental Bank of Commerce

Registered / Corporate Office Address of Asset Management Company: 301-312, 3rd Floor, Ambadeep Building, 14, Kasturba Gandhi Marg, New Delhi – 110001
CIN: U65991DL2012GOI233601

Website: www.iifclmf.com

The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (hereinafter referred to as “SEBI (MF) Regulations”) as amended till date. These units being privately placed have not been approved or recommended by Securities and Exchange Board of India (“SEBI”) nor has SEBI certified the accuracy or adequacy of the Private Placement Memorandum. It is to be distinctly understood that this Private Placement Memorandum should not, in any way, be deemed or construed that the same has been cleared or vetted by SEBI.

The Investors are advised to refer to the Statement of Additional Information (“SAI”) for details of IIFCL Mutual Fund, Tax and Legal issues and General Information on www.iifclmf.com

This Private Placement Memorandum is dated 23rd March,2017 and is updated to include CARE’s rating on 30th March,2016 and Brickwork’s rating on 22nd April,2016.



Disclaimer clause of the BSE Limited

BSE Limited (“*the Exchange*”) has given vide its letter dated March 10, 2017 permission to IIFCL Mutual Fund to use the Exchange’s name in this Placement Memorandum as one of the Stock Exchange on which this Mutual Fund’s Units are proposed to be listed. The Exchange has scrutinized this Placement Memorandum for its limited internal purpose of deciding on the matter of granting the aforesaid permission to IIFCL Mutual Fund. The Exchange does not in any manner:-

- i) warrant, certify or endorse the correctness or completeness of any of the contents of this Placement Memorandum; or
- ii) warrant that this scheme’s unit will be listed or will continue to be listed on the Exchange; or
- iii) take any responsibility for the financial or other soundness of this Mutual Fund, its promoters, its management or any scheme or project of this Mutual Fund;

and it should not for any reason be deemed or construed that this Placement Memorandum has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any unit of IIFCL Mutual Fund (Infrastructure Debt Fund) – Series II of this Mutual Fund may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.



Table of Contents

ABOUT THE SPONSOR	6
HIGHLIGHTS/SUMMARY OF THE SCHEME.....	9
I. INTRODUCTION	14
A. RISK FACTORS.....	14
B. RISK MANAGEMENT AND MITIGATION	19
C. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME.....	22
D. SPECIAL CONSIDERATIONS	23
E. DEFINITIONS	24
F. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY AND THE TRUSTEE.....	27
II. INFORMATION ABOUT THE SCHEME.....	29
A. TYPE OF THE SCHEME:.....	29
B. INVESTMENT OBJECTIVE:.....	29
C. ASSET ALLOCATION	29
D. WHERE WILL THE SCHEME INVEST?.....	30
E. WHAT ARE THE INVESTMENT STRATEGIES.....	32
F. FUNDAMENTAL ATTRIBUTES	34
G. BENCHMARK AND ITS JUSTIFICATION.....	35
H. WHO WILL MANAGE THE SCHEME?	35
I. WHAT ARE THE INVESTMENT RESTRICTIONS?.....	36
J. HOW HAS IIFCL MUTUAL FUND INFRASTRUCTURE DEBT FUND SERIES – I PERFORMED ?.....	38
K. INDICATIVE PORTFOLIO BASED ON TYPE OF ASSETS.....	39
L. VALUATION POLICY FOR THE ASSETS OF THE SCHEME.....	40
M. EXTENSION IN THE TENURE OF THE SCHEME.....	41
III. PLACEMENT DETAILS	42
A. PLACEMENT PERIOD.....	42
B. PERIODIC DISCLOSURE.....	52
C. COMPUTATION OF NAV	55
D. FEES AND EXPENSES	56



IV. RIGHTS OF UNITHOLDERS	57
V. PENALTIES, PENDING LITIGATIONS OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY	57

BACKGROUND OF INDIA INFRASTRUCTURE & GENESIS OF INFRASTRUCTURE DEBT FUND (“IDF”)

- a) The target investment for infrastructure sector is to the tune of USD 1 Trillion during the 12th Five-Year Plan (2012-2017) with around 50% of the investment target to be funded by government & budgetary resources and the remaining half by private participation.
- b) IDF is an investment vehicle for refinancing existing debt of infrastructure companies; creating fresh headroom for banks to lend to new infrastructure projects. As per the report “Working Sub-Group on Infrastructure”, it is estimated that IDFs could contribute upto USD 10-20 bn in the twelfth Five-year plan.
- c) IDFs can be set-up through two routes: Mutual Fund (“MF”), regulated by SEBI, and NBFC regulated by the Reserve Bank of India (“RBI”). Currently, in India, there are a total of six IDFs: three through MF route and three through NBFC route.
- d) Given the enormous investment requirements in the infrastructure sector, IDFs are expected to attract new investor classes like domestic and international pension, provident and insurance funds into infrastructure finance.
- e) IDFs would provide long-term Foreign Investors an alternative investment instrument.
- f) Also, IDFs would be instrumental in deepening the bond market in India.

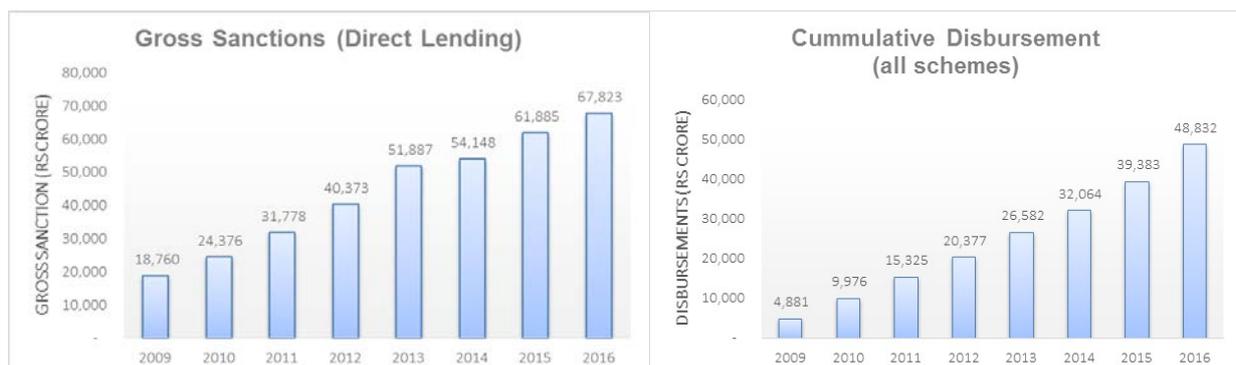
ABOUT THE SPONSOR

IIFCL Mutual Fund is sponsored by India Infrastructure Finance Company Limited (“IIFCL”), a 100% Government of India owned company. IIFCL, registered with RBI as NBFC-IFC in October 2013, was set-up in 2006 with an objective to provide long term finance to viable infrastructure projects through the Scheme for Financing Viable Infrastructure Projects. IIFCL’s current offerings include Direct Lending, Refinance, Takeout Finance, and Credit Enhancement. IIFCL gives overriding priority to Public Private Partnership (“PPP”) projects.

Financial Performance of the Sponsor (past four years) (*IIFCL Standalone figures*):

(Rs. in Cr)

Particulars	2015-16 (A)	2014-15 (A)	2013-14 (A)	2012-13 (A)
Net Worth	7,264	6,796	5,781	4,858
Total Income	4,659	4,061	3,917	3,287
Profit after tax	468	753	521	1,047





Asset Portfolio of IIFCL (the Sponsor)

As on 31st March, 2016, IIFCL is having cumulative gross sanctions (under direct lending) of Rs 67, 823.47 Crore to 389 infrastructure projects. The sector-wise distribution of cumulative gross sanctions (indicative figures) is as under:

(Amounts in Rs. Crore)

Sector	No. of Projects	Project Cost	Gross Sanctions
Road	211	2,30,492.65	30,836.49
Power	113	3,06,251.09	28,427.46
Airport	2	25,801.00	2,150.00
Port	12	14,141.97	1,782.08
Urban Infra	10	47,327.08	3,600.16
Railway	2	2,593.69	518.54
PMDO*	38	8,602.13	258.74
Telecom.	1	3,750.00	250.00
Total	389	6,38,959.61	67,823.47

* Pooled Municipal Debt Obligations

Resource Mobilization

IIFCL raises its long-term resources both from domestic markets and overseas.

DOMESTIC RESOURCES

The company has so far raised 32,573 crore (Out of which 19,049.18 crore is outstanding as on 31st March 2016) from domestic markets through a mix of instruments comprising of domestic Taxable bonds, tax-free bonds, and Tax-Saving Infrastructure Bonds and long term loan from LIC & NSSF.

EXTERNAL RESOURCES

IIFCL has also established strong relationships with multilateral and bilateral institutions like Asian Development Bank (“**ADB**”), World Bank, KfW and European Investment bank (“**EIB**”) and has committed lines of long-term low-cost credit to the extent of USD 1.9 billion, USD 1.195bn (reduced to 195 million), Euro 50million and Euro 200 million respectively. Earlier (ADB) has provided line of credit for an amount of US\$ 1200 million under India Infrastructure Project Financing Facility (“**IIPFF**”) I and II of USD 500 million and USD 700 million each. ADB has also sanctioned another line of credit of USD 700 million under Accelerating Infrastructure Investment Facility in India. As on 31st March 2015, IIFCL has fully availed the US \$ 500 million and US \$ 700 million under IIPFF-I and IIPFF-II respectively. Further, against new line of USD 700 million, first tranche of USD 400 million was signed on 21st January 2014,



out of which USD 388.63 million has been received as on 31st March 2016. Hence, IIFCL has in total received US\$1588.63 million from ADB by the end of March 2016.

Of the World Bank line of Credit of US 195 million, IIFCL has fully availed the amount of US 195.00 million. The Euro 50 million line of credit from KfW has been availed fully by IIFCL against disbursements in two hydro power projects and three solar power projects as approved by KfW. IIFCL had also executed a Financing Contract agreement of Euro 200 million with European Investment Bank (“**EIB**”) on March 31, 2014, out of which Euro 75 million has been drawn as on March 2016. In addition of the above, a line of credit of Yen 50 billion has been signed with Japan International Cooperation Agency (“**JICA**”) which is yet to be effected. Further, deliberations with Export Development Canada (“**EDC**”) and Agence Française de Development (French Agency for Development-AFD) are under progress for line of credit to IIFCL. These relationships with multilateral and bilateral institutions have helped IIFCL in raising low-cost long-term resources.

HIGHLIGHTS/SUMMARY OF THE SCHEME

Name of the Scheme	IIFCL Mutual Fund - Infrastructure Debt Fund - Series II (“Scheme”)										
Nature of the Scheme	A 10 years Close Ended Infrastructure Debt Fund under growth option										
Tenor of the Scheme	10 years The Scheme may be wound up earlier upon: a. Non-achievement of Minimum 5 (five) investors; b. Non-Achievement of minimum target amount.										
Investment Objective	The investment objective of the Scheme is to generate appreciation/wealth in capital by investing in various permissible instruments/ securities as per SEBI (MF) Regulations. There is no assurance or guarantee that the objective of the Scheme will be realized.										
Level of Risk	 <p>Moderate - Indicating ‘Principal at Moderate Risk’ This product is suitable for investors who are seeking*: - Long term capital appreciation through exposure to debt securities of infrastructure sector companies</p> <p><i>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</i></p>										
Investment Pattern	<p>Under normal circumstances, the asset allocation of the Scheme would be as under:</p> <table border="1"> <thead> <tr> <th>Type of Security</th> <th>Minimum Allocation of the Corpus</th> <th>Maximum Allocation of the Corpus</th> <th>Risk Profile</th> </tr> </thead> <tbody> <tr> <td>Debt securities or securitized debt instrument of: 1. Infrastructure companies, infrastructure holding companies, infrastructure capital companies Or, 2. Infrastructure projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in</td> <td>90%</td> <td>100%</td> <td>Low - Moderate</td> </tr> </tbody> </table>			Type of Security	Minimum Allocation of the Corpus	Maximum Allocation of the Corpus	Risk Profile	Debt securities or securitized debt instrument of: 1. Infrastructure companies, infrastructure holding companies, infrastructure capital companies Or, 2. Infrastructure projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in	90%	100%	Low - Moderate
Type of Security	Minimum Allocation of the Corpus	Maximum Allocation of the Corpus	Risk Profile								
Debt securities or securitized debt instrument of: 1. Infrastructure companies, infrastructure holding companies, infrastructure capital companies Or, 2. Infrastructure projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in	90%	100%	Low - Moderate								

	<p>infrastructure Or, 3. Bank loans¹ in respect of completed and revenue generating projects infrastructure Companies or special purpose vehicles.</p>			
	<p>Convertibles including mezzanine financing instruments of companies engaged in infrastructure, infrastructure development projects, whether listed on a recognized stock exchange in India or not</p>	<p>0%</p>	<p>10%</p>	<p>Moderate -High</p>
	<p>or Money market instruments or Bank Deposits</p>			<p>Low - Moderate</p>
<p>The scheme being a close-ended scheme, funds received on account of re-payment of principal, whether by way of pre-payment or otherwise, with respect to the underlying assets of the scheme, shall be re-invested in the scheme in the assets as specified above.</p> <p>If the investments as specified above are not available, such funds may be invested in bonds of Public Financial Institutions and Infrastructure Finance Companies.</p> <p>Investment in debt securities or securitized debt of infrastructure companies can be up to 100% of the net assets of the Scheme.</p> <p>“Infrastructure” for the purposes of this Scheme, shall include sectors as specified by guidelines issued by SEBI or as notified by Ministry of Finance, from time to time.</p> <p>The allocation mentioned above shall be applicable on the life-cycle of the Scheme and shall be reckoned with reference to the total amount raised by the Scheme.</p> <p>Pending deployment of the funds in securities in terms of</p>				

¹Investments in bank loans shall be made only through the securitization mode



	<p>investment objective of the Scheme, the AMC may keep the funds of the Scheme in short term deposits of the Scheduled Commercial Banks, G-Secs, and T-Bills or invest in Collateralised Borrowing and Lending Obligations (“CBLO”), subject to regulation and/or guidelines issued by SEBI, from time to time.</p> <p>IAMCL may, from time to time, for a short term period under exceptional circumstances on defensive consideration modify/ alter the investment pattern/ asset allocation depending upon the perception of the debt and money market as well as the view on interest rates. However, the intent of the Investment Pattern of IAMCL shall always be directed to protect the Net Asset Value (“NAV”) of the Scheme & the interests of Unit Holders, without seeking consents of the unit holders.</p>
Options under the scheme	The income earned in the Scheme shall remain invested in the growth option. No dividend shall be declared in this option.
Private Placement Offer Price	Rs. 10 Lakhs Per Unit IAMCL may issue partly paid units at initial close / launch of Scheme and call for unpaid portions subsequently depending upon deployment opportunities and subject to the conditions specified in the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2011; as amended from time to time.
Firm commitment from the Strategic Investors.	IIFCL, the Sponsor, has given firm commitment for contribution of amount of upto Rs. 200 crore (Rupees Two Hundred Crore) but restricted to 50% of the Fund size.
Minimum Application Amount	Rs One Crore and in multiples of Rs. 10 Lakhs thereafter.
Minimum Mobilization	Rs. 200 crore
Maximum Amount to be Raised	Rs. 1,500 crore
Partly Paid Units	The AMC has the discretion to issue partly paid units for subscriptions received during the private placement period. IAMCL shall call for the unpaid portions subsequently depending upon the deployment opportunities;
Repatriation Facility	NRIs, FIIs and PIOs may invest in the Scheme on repatriation basis subject to rules laid down by RBI/SEBI/Income Tax/other related authorities from time to time.
Transparency &NAV Disclosure	NAVs of the Scheme shall be calculated and declared at least once in each quarter. NAV will be hosted on www.iifclmf.com and www.amfiindia.com .
Liquidity	<p>Being a close ended Scheme, investors can subscribe to the units of the Scheme during the Private Placement Period only.</p> <p>The unit holders can liquidate their investment in units by the following methods:</p> <ol style="list-style-type: none">1. Transfer of units through stock exchange where the Scheme is listed* and



	<p>2. Redemption of units at the time of maturity.</p> <p><i>*Units under the Scheme are proposed to be listed on the Stock Exchange after the units are fully paid up (applicable only if partly paid up shares are issued)</i></p> <p><i>However, if IAMCL issues only fully paid up units at the time of issue closing / time of launch of Scheme, the said units are proposed to be listed on the Stock Exchange and can be redeemed by the unit holder / Investor through the stock exchange mode.</i></p>
Portfolio Disclosure	<p>In accordance with the SEBI (MF) Regulations, as amended from time to time, Mutual Fund/ AMC may disclose indicative portfolio of the scheme to its potential investors disclosing the nature and type of assets.</p> <p>Apart from above, IIFCL Mutual Fund would disclose the Portfolio of the Scheme as under:</p> <p>On Monthly basis: Monthly disclosure of the portfolio (in the SEBI prescribed format) on the Mutual Fund website at www.iifclmf.com</p> <p>On Half Yearly basis: The Mutual Fund shall before the expiry of one month from the close of each half year (that is on 31st March and on 30th September), publish its scheme portfolio (in the format prescribed by SEBI) in one national English daily newspaper and in a regional newspaper published in the language of the region where the Head Office of the Mutual Fund is situated.</p> <p>The Mutual Fund may opt to send the portfolios to all unit holders in lieu of the advertisement.</p>
Benchmark	<p>CRISIL Composite Bond Fund Index is the Benchmark Index for the Scheme.</p> <p>Investors are requested to note that currently, there is no index in India which tracks the infrastructure sector and the Scheme may change its benchmark as and when such index is available.</p>
Load	Nil
Custodian	Citibank N. A. First International Financial Centre (FIFC), 11th Floor, Plot Nos. C-54 & C-55, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400051
Fund Accountant	Citibank N. A. First International Financial Centre (FIFC), 11th Floor, Plot Nos. C-54 & C-55, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400051
Registrar & Transfer Agent	Computer Age Management Services (CAMS) Pvt. Ltd, 158, Rayala Towers, Tower I, V Floor, Anna Salai, Chennai 600 002
Recurring Expenses	<p>As per SEBI (MF) Regulations, recurring expenses will not exceed the following limits per annum:</p> <ol style="list-style-type: none">1. on the first Rs 100 crore of the daily net assets, 2.5%2. on the next Rs 300 crore of the daily net assets, 2.25%3. on the next Rs 300 crore of the daily net assets, 2.00% and



	<p>4. on the balance of the daily net assets, 1.75%.</p> <p>However the fee shall be finalized by IAMCL Board with inputs from various members within SEBI guidelines. For full details on the expenses, please refer to section 'FEES AND EXPENSES'.</p>
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



I. INTRODUCTION

A. RISK FACTORS

Standard Risk Factors:

- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, price risk, default risk including the possible loss of principal.
- Mutual Funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Scheme will be achieved.
- As the price/ value/ interest rates of the securities in which the Scheme invests fluctuate, the value of your investment in the Scheme may go up or down depending on the factors and forces affecting the capital markets specifically for the infrastructure sector in infrastructure. The various factors which impact the value of the Scheme's investments include, but are not limited to, risks associated with investments in infrastructure sector such as prevailing political and economic environment, changes in government policy, tax laws, progress of the infrastructure projects, factors specific to the issuer of the securities, liquidity of the underlying instruments, etc.
- Past performance of the Sponsor/AMC/Mutual Fund does not guarantee future performance of the Scheme and may not necessarily provide a basis for comparison with other investments made earlier.
- IIFCL Mutual Fund Infrastructure Debt Fund – Series II does not in any manner indicate either the quality of the Scheme or its future prospects and returns; and is only the name of the Scheme.
- The Sponsor is not responsible or liable for any loss resulting from the operation of the Scheme beyond initial contribution of Rs. 0.1 lakh made by it towards setting up of the Fund.
- The Scheme does not provide guarantee or assured return to the unit holders.

Scheme Specific Risk Factors:

Risk associated with investment in the Infrastructure Sector

Risks associated with a project may arise in three major periods during the project life cycle:

- Development
- Construction
- Operation

The risks for the Infrastructure projects (as given in Def. at Section E in this document) have a wide range of sources and can be classified into the following broad categories:

1. Development Risk

- a. Availability of Permits & Licenses
- b. Environmental Clearance
- c. Policies
- d. Land Acquisitions

2. **Construction Risk**

- a. Technical, Quality or Performance Risk
- b. Project Management Risk
- c. Inflation Risk
- d. Interest rate Risk
- e. Enforceability of contracts
- f. Force Majeure Risk

3. **Operational Risk**

- a. Organizational Risk
- b. Regulatory Risk
- c. Currency Risk
- d. Refinancing Risk
- e. Forex Risk
- f. Taxation Risk
- g. Country Risk
- h. Political Risk
- i. Sovereign Risk

4. **Construction/Completion Risk:** Infrastructure projects are especially vulnerable to the Construction Risk owing to high capital requirement and regulations and policies of state and central government. An assessment of the contractual framework for implementation and track records of the Sponsors is essential while investing in Infrastructure sector. Timely Land acquisition, handover to the developer plays import role in road and coal mining projects. Asset owners and Financier are the stake holder in the construction delivery phase and this relates to Engineering, Procurement and Construction (“EPC”) and contract monitoring. EPC Contractor are responsible for in-time, on-budget and on quality delivery. Problems may arise when EPC contractor either fails to meet the target set resulting in cost overrun or unable to perform their contractual obligation at the cost of reduced profitability.

5. **Operating Risk:** Infrastructure sector lending generally has a non-recourse or limited recourse financing characteristic: lenders can only be repaid from the revenues generated by the Infrastructure project. This makes the lender vulnerable to the operational risks faced by the investee company.

6. **Regulatory Risk:** Infrastructure sector projects are likely to be affected by the changes in central and state government policies and regulations, for example Tax holiday, waive off of custom duty, subsidies policy etc.

7. **Political Risk:** Political and regulatory risks are inherent in doing business. They affect all aspects of a project, from site selection and construction through completion, operations and marketing. They are difficult to evaluate. Where possible, these risks are assumed by promoter. Where this is not possible, lenders sometimes assume such risks. The ultimate political risk is expatriation. It is often difficult to distinct this risk from country risk. Political risks/factors that must be taken into account include but are not limited to the following: (i) Stability of the government (central, state as well as local government) (ii) Political willingness demonstrated by the government at various levels towards infrastructure and its commercialization (iii) Extent of control exerted by the



government or its involvement in regulating a particular sector and dependence of the project profitability on the regulations.

8. **Interest Rate Risk:** It refers to the risk that arises because of interest rate changes during the life of the project. Loans with floating interest rates may be used for construction loans and long term financing, as well as for working capital and short-term needs. Forecasts of future interest rates used to or project capitalized construction costs and future debt service requirements are dependent upon realistic interest rate assumptions.
9. **Taxation Risk:** It refers to the risk associated with significant change in tax regime resulting in increased burden of taxation on the projects. Project are exposed to various taxes such as taxes on current and expected income, assets or property, operational, stamp, mortgage, withholding and other revenue and financing-related taxes. Tax policies have a direct impact on the cash pool available for debt servicing and are a critical factor while structuring the financing for projects.

Risk associated with investment in Infrastructure Sector Debt Instrument (i.e., Bonds, NCD etc.)

1. **Interest-Rate Risk:** Fixed income securities such as government bonds, corporate bonds and derivatives run price-risk or interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices depends upon the coupon and maturity of the security. It also depends upon the yield level at which the security is being traded.
2. **Re-investment Risk:** Investments in fixed income securities carry re-investment risk as interest rates prevailing on the coupon payment or maturity dates may differ from the original coupon of the bond.
3. **Basis Risk:** The underlying benchmark of a floating rate security or a swap might become less active or may cease to exist and thus may not be able to capture the exact interest rate movements, leading to loss of value of the portfolio.
4. **Spread Risk:** In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. In the life of the security this spread may move adversely leading to loss in value of the portfolio. The yield of the underlying benchmark might not change, but the spread of the security over the underlying benchmark might increase leading to loss in value of the security.
5. **Liquidity Risk:** The liquidity of a fixed income securities may change, depending on market conditions leading to changes in the liquidity premium attached to the price of the bond. At the time of selling the security, the security can become illiquid, leading to loss in value of the portfolio.
6. **Credit Risk:** This is the risk associated with the issuer of a debt securities defaulting on coupon payments or in paying back the principal amount on maturity. Even when there is no default, the price of a security may change with expected changes in the credit rating of the issuer. It is to be noted here that a Government Security is a sovereign security and is considered as the safest. Corporate bonds carry a higher amount of credit risk than



Government securities. Within corporate bonds also there are different levels of safety and a bond rated higher by a particular rating agency is safer than a bond rated lower by the same rating agency.

7. **Settlement Risk:** Fixed income securities run the risk of settlement which can adversely affect the ability of the fund house to swiftly execute trading strategies which can lead to adverse movements in NAV.

Risks associated with Investing in Bank Deposits/Money Market Instruments

The risks associated with bank deposits / money market instruments may be broken as below:

1. **Interest Rate /Market Risk:** Interest rate risk/ Market risk is associated with movements in interest rate, which depend on various factors such as government borrowing, inflation, economic performance etc. The values of investments will appreciate/depreciate if the interest rates fall/rise. Since the tenure of such instruments is short, price risk in these securities is less
 - a. For certain kinds of bank deposits, interest rates are fixed and there is a penal interest for premature withdrawals of deposits. Hence, for such deposits, in the event of interest rate rise, a significant opportunity cost (since the funds could have been invested at a higher rate) is incurred.
 - b. Interest rate risk is low in short term money market instruments where most of the surplus money of the scheme will be invested.
2. **Credit Risk:** Credit risk is risk resulting from uncertainty in counterparty's ability or willingness to meet its contractual obligations. This risk pertains to the risk of default of payment of principal and interest. In India, the Deposit Insurance and Credit Guarantee Corporation insures deposits only up to Rs. 1,00,000. Amounts deposited in excess of this limit are vulnerable to credit risk in case of failure of a bank.
 - a. Government Securities/ Treasury bills have zero credit risk whereas CPs/CDs are rated according to the issuer's ability to meet the obligations and have relatively higher credit risk than Government Securities and Treasury Bills. Investment in Bank Fixed deposit has low credit risk.
 - b. Credit risk is low in higher rated money market instruments where most of the surplus money of the scheme will be invested.
3. **Liquidity Risk:** Liquidity risk pertains to how quickly a security can be sold in the market without much price impact. If a particular security does not have a market at the time of sale, then the scheme may have to bear an impact depending on its exposure to that particular security. Liquidity risk is low in higher rated money market instruments where most of the surplus of the scheme will be invested. There is no liquidity in Repo and CBLO due to reversal transaction is also contracted at the time of initiating the transaction.

Risks associated with investing in Securitized Debt

1. **Limited Recourse and Credit Risk:** Securitized Debt Securities are pass through instruments issued against cash flows from underlying loans. If an IDF scheme has



invested in a securitized debt instrument, defaults on the underlying loan can adversely affect the pay outs to the Scheme and thereby, adversely affect the NAV of the Plan(s)/Option(s) under the Scheme. Although, Scheme would have an option to liquidate the underlying assets in case of default, such liquidation would not necessarily result in recovery if entire investment or may be achieved with considerable delay.

2. **Bankruptcy Risk:** If the originator of securitized debt instruments is subjected to bankruptcy proceedings and the court in such proceeding concludes that the sale of the assets from originator to the trust (issuing the securitized debt instrument) was not a true sale, the scheme could experience losses or delays in the payment due.
3. **Limited Liquidity and Price risk:** Presently, secondary market for securitized paper is not very liquid. Further, Market risk applicable to the Debt Securities in general applies to the securitized instruments as well which may result in reduction in value of securities owing to change in the interest rates.
4. **Risk due to possible prepayments:** Asset securitization is a process whereby the commercial loans are packaged and sold in the form of financial instruments. Full or partial prepayment (either voluntary or compulsory) of underlying loans may expose the scheme to changes in tenor and yield. And thus the NAV may be affected.
5. **Bankruptcy of the Investor's Agent:** Under a securitization contract, investor's agent has recourse to the underlying asset/cash flows. In case of bankruptcy proceedings against the investor's agent, if the court concludes that the recourse available to the Investor's Agent is the personal capacity and not as an Agent, then an Investor could experience losses or delays in the payments due from the underlying assets.
6. **Risk associated with investment in Unlisted Securities:** The scheme may invest in unrated debt securities and Zero coupon instrument that offer attractive yield. This may increase the absolute level of the risk of the portfolio [Unrated debt securities include CBLO, Reverse Repo, Short Term deposit to which rating is not applicable.]

Any other risk factors

Apart from the standard risk factors mentioned above, the investors are also requested to note following risks:

1. As the scheme may invest and hold the securities till maturity, any default / delay by the investee company in honouring the securities on redemption may delay and / or cause erosion in the maturity value to the unit holder.
2. Although fully paid up units of the Scheme described in this Private Placement Memorandum are to be listed on the Exchange, there can be no assurance that an active secondary market will develop or be maintained. Consequently, the Fund may quote below its face value/ NAV. Trading in the units of IIFCL Mutual Fund Infrastructure Debt Fund – Series II on the exchange may be halted because of market conditions or for reasons that in view of Exchange Authorities or SEBI, trading in units of the Scheme is not advisable. In addition, trading in units of the Scheme is subject to trading halts caused by extraordinary market volatility and pursuant to Exchange and SEBI 'circuit filter'



rules. There can be no assurance that the requirements of Exchange necessary to maintain the listing of units of the Scheme will continue to be met or will remain unchanged. Listing of the units of the Scheme does not necessarily guarantee their liquidity and there can be no assurance that an active secondary market for the units will develop or be maintained. The NAV of the Scheme will fluctuate with changes in the market value of the Scheme's holdings. The trading prices of the said units will fluctuate in accordance with the changes in their NAV as well as market supply and demand for the units.

3. **Regulatory Risk:** Any changes in trading regulations by the Stock Exchange(s) or SEBI may affect the ability of market maker to arbitrage resulting into wider premium/ discount to NAV.
4. The Scheme is a close-ended income scheme. Investment will be locked in for the period at the Scheme.

B. RISK MANAGEMENT AND MITIGATION

Risks related to the Infrastructure Sector:

The risk factors listed above for the Infrastructure Sector are not equally significant in all projects. The significance of particular risks will differ from project to project, depending upon sector characteristics. IAMCL has a solid credit evaluation process to mitigate the above risks to a large extent. The Scheme also proposes to limit exposures predominantly to project/issuers of investment grade credit quality. Internal limits shall be defined and judiciously monitored. Risk indicators on various parameters shall be computed and monitored on a regular basis. IAMCL has a Risk Management Committee which enables a dedicated focus on risk factors and the relevant risk mitigants.

Risk	Risk Management Strategy
Regulatory Risk	<ul style="list-style-type: none"> - Maintenance of portfolio of brownfield and greenfield projects taking into account risk-return profile of such projects. - Through review of the regulations applicable and their implications thereof.
Policy Risk	<ul style="list-style-type: none"> - Participation in government policy making through consultation process - Cautious review of the Off-take agreement and other contracts to determine the implications associated with political risk.
Operating Risk	<ul style="list-style-type: none"> - Study historical trends for identifying the factors leading to operating risk. - Historical track record of promoters in executing the projects - Tie up for feed stock like Coal in case of Coal based Power Plant, Raw Waste in case of Waste to

	<p>Energy etc.</p> <ul style="list-style-type: none"> - Arrangement of transfer of risk to EPC contractor or sub-contractors and profile of EPC contractor.
--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Risks related to the investment in Debt/Money Market Instruments

Risk	Risk Management Strategy
Interest Rate/Market Risk	<ul style="list-style-type: none"> - Investment in a mixed basket of debt and money market instruments with a view to hold them till maturity. - Use of put options in order to mitigate interest rate fluctuation. - Study of market yields and economic fundamentals to calculate the impact of such movements.
Liquidity Risk	<ul style="list-style-type: none"> - Tenor of the investment by the Scheme would not exceed the tenor of the Scheme. - As the Scheme is a close-ended Scheme, no redemption pressures are expected. - Further, to meet the liquidity needs of the investors, investors would have an option to tap liquidity through secondary market on the stock exchange when the fund units are listed. However the fund units cannot be listed till such time they are fully paid up.
Credit Risk	<ul style="list-style-type: none"> - Proper credit review process to be undertaken by the investment team of the fund with various techniques of trend analysis of historical financial performance, financial projections, simulations and qualitative parameter analysis. - Regular assessment and Credit Rating by Credit Rating Agencies. - Stipulation of various covenants (additional borrowing limit, maintenance of floor of various ratios like DSCR, Interest Coverage) and maintenance of various security covers (First charge on Escrow accounts, DSRA, mortgage, Pledge of Shares) for protection of the fund. - Thorough due diligence of the projects at regular intervals to understand any developments in the projects and their impact on the investment by the Scheme thereof.



Risk mitigation techniques specific to Securitized Debt Instruments are as below:

1. Limited Recourse and Credit Risk: Additional first loss cover in the form of adequate cash collaterals and other assets may be obtained
2. Bankruptcy Risk: Securitization transaction would be structured to ensure that the sale would be construed as a 'True Sale' in court of law as it is also in the interest of the originator to demonstrate the transaction as a true sale to get the necessary revenue recognition and tax benefits. A true sale legal opinion will be secured in each case.
3. Limited Liquidity and Price risk: As securitized debt instruments are relatively illiquid owing to underdeveloped secondary market, they are generally Held to Maturity ("HTM")
4. Risks due to possible prepayments: While working out the model cash flows from the underlying assets, a provision is made for certain level of prepayments. Further, a stress case estimate is calculated and additional margins are built in to protect the investors from prepayments
5. Bankruptcy of the Investor's Agent: A special attention to detail is provided while structuring the transaction and drafting the underlying documents so as to adequately establish that the assets/receivables held by Investor's Agent are held as an agent and in Trust for the Investors
6. Further, additional internal as well as external assessment is carried out before investing in any securitization transaction
7. Assessment by a Rating Agency: While providing a rating of an issuance, Rating Agencies usually analyse and assess the following risks and their mitigant :
 - a) Credentials of the Sponsor and/ Strategic Investors
 - b) Asset Management Company (AMC)'s credentials, Fund manager's track record and Corporate Governance
 - c) Operational risk including Regulatory Compliance, risk management systems and processes and use of technology
 - d) Portfolio risk based on Investment Policy, Portfolio Credit Quality and Concentration Risk
8. Assessment by the AMC
 - (i) Basic Evaluation parameters
 - Track Record of the Company, Management and Project(s)
 - Sector viability
 - Financial and Operational risks
 - Willingness to Pay
 - Ability to Pay
 - (ii) Critical Evaluation Parameters



A special diligence would be exercised in structuring specific risk management strategies such as additional cash/security collaterals/guarantees/covenants in case of:

- High default track record/ frequent alteration of redemption conditions/covenants
- High leverage ratios – both on a standalone basis as well on a consolidated level/group level
- Higher proportion of re-scheduling of underlying assets of the pool or loan
- Higher proportion of overdue assets of the pool or the underlying loan
- Poor reputation in market
- Insufficient track record of servicing of the pool or the loan

Borrowing Powers:

As per SEBI (MF) Regulations, the Fund may borrow in order to meet temporary liquidity needs of the Scheme for the purpose of repurchase, redemption, or payment of interest/ dividend to Unit Holders. Further as per SEBI (MF) Regulations; the Fund may borrow up to 20% of the Net Assets of the Scheme for a period of up to six months. The Fund may enter into required arrangements with banks, financial institutions or other bodies corporate.

These loans will be secured, if necessary, by securities or assets of the Scheme or such other collateral security as may be agreed upon with the Bank at the time of borrowing. Such borrowing may have an impact of investment gains or losses on the NAV of the Scheme. The Scheme may bear the interest charged on such borrowings.

Loan by Mutual Fund:

Save as otherwise expressly provided under the SEBI (MF) Regulations, as amended from time to time, the Mutual Fund would not advance any loans for any purpose.

Declaration on indicative portfolio and indicative yield;

- a) In accordance with the SEBI (MF) Regulations, as amended from time to time, Mutual Fund/ IAMCL may disclose indicative portfolio of infrastructure debt fund scheme to its potential investors disclosing the type of assets the mutual fund will be investing in.
- b) Mutual Fund/ AMC has not given and shall not give any indicative yield in any communication, in any manner whatsoever and
- c) Investors are advised not to rely on any communication regarding indicative yield with regards to the Scheme.

C. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME

In accordance with SEBI (MF) Regulations, as amended from time to time, the Scheme(s) and individual Plan(s) under the Scheme(s) shall have a minimum of 5 investors and no single investor shall account for more than 50% of the corpus of the Scheme(s)/Plan(s). These conditions will be complied with immediately after the close of the Placement Period itself, i.e. at the time of allotment. In case of non-fulfilment with the condition of minimum 5 investors, the Scheme(s)/Plan(s) shall be wound up in accordance with Regulation 39 (2) (c) of SEBI (MF) Regulations automatically without any reference from SEBI. In case of non-fulfilment with the



condition of 50% holding by a single investor on the date of allotment, the application to the extent of exposure in excess of the stipulated 50% limit would be liable to be rejected and the allotment would be effective only to the extent of 50% of the corpus collected. Consequently, such exposure over 50% limits will lead to refund within 5 days of the date of closure of the Placement Period.

D. SPECIAL CONSIDERATIONS

- The liquidity of the assets may be affected by other factors such as general market conditions, political events, bank holidays and civil strife. The liquidity of the Scheme's investments may also be restricted by trading volumes, settlement periods and transfer procedures. In the event of an inordinately large number of redemption requests or of a restructuring of the Scheme's portfolios, the time taken by the Scheme for redemption of Units may become significant. In view of this and notwithstanding any other redemption rights of the Unitholders in terms of this Private Placement Memorandum, the Trustee has the right, subject to the compliance of any circulars issued by SEBI in this regard, to limit redemption (including suspension of redemption) under certain circumstances.
- Redemption due to change in the fundamental attributes of the Scheme or due to any other reasons may entail tax consequences. The Trustee, AMC, Mutual Fund, their directors or their employees shall not be liable for any such tax consequences that may arise.
- The tax benefits described in this Private Placement Memorandum are as available under the present taxation laws and are available subject to conditions. The information given is included for general purpose only and is based on advice received by the AMC regarding the law and practice in force in India and the Unit holders should be aware that the relevant fiscal rules or their interpretation may change. As is the case with any investment, there can be no guarantee that the tax position or the proposed tax position prevailing at the time of an investment in the Scheme will endure indefinitely. In view of the individual nature of tax consequences, each Unit holder is advised to consult his/ her own professional tax advisor.
- No person has been authorised to give any information or to make any representation not confirmed in this Memorandum in connection with the scheme or the offer of Units, and any information or representation not contained herein must not be relied upon as having been authorised by the Mutual Fund or the Asset Management Company.
- Since, the investments in mutual funds and secondary markets inherently involve risks, Investors are advised to consult their Legal, Tax, Finance and other Professional Advisors before making decision to invest in or redeem the units in regard to tax / legal issues relating to their investments in the Scheme. Recipient of this Memorandum should understand that statements made herein regarding future prospects may not be realized. Any performance information shown refers to the past should not be seen as an indication of future returns. The value of investments and any income from them can go down as well as up. The distribution of this Memorandum in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this Memorandum are required to inform themselves about, and to observe, any such restrictions. Investors in the Scheme are not being offered any guaranteed returns. Please read SAI and this Memorandum carefully before investing.



E. DEFINITIONS

In this Private Placement Memorandum, the following words and expressions shall have the meaning specified herein unless the context otherwise requires:

Asset Management Company/ AMC/ Investment Manager	IIFCL Asset Management Company Limited (“IAMCL”), the asset management company set up under the Companies Act, 1956 and authorized by SEBI to act as Asset Management Company to the Schemes of IIFCL Mutual Fund (“IDF”).
Applicable NAV for redemption	<p>Unless stated otherwise in the Private Placement Memorandum, Applicable NAV is the Net Asset Value as of the Day of maturity of the scheme.</p> <p>Purchase: Allowed only during the Private Placement Period. Offer of units at Rs. 10 Lakhs Per Unit during the Private Placement Period.</p> <p>Redemption: The applicable NAV for redemptions on maturity date will be the NAV calculated on the date of Maturity. In case the Maturity date or pay-out date happens to be a non-business day then the applicable NAV for redemptions shall be calculated immediately on the next business day.</p> <p>Since the Scheme is proposed to be listed* on BSE Ltd, the listed price would also be available on that Stock Exchange.</p> <p><i>*Units under the Scheme are proposed to be listed on the Stock Exchange after the units are fully paid up (applicable only if partly paid up shares are issued)</i></p> <p><i>However, if IAMCL issues only fully paid up units at the time of issue closing / time of launch of Scheme, the said units are proposed to be listed on the Stock Exchange and can be redeemed by the unit holder / Investor through the stock exchange mode.</i></p>
Business Day	<p>Any day other than :</p> <ol style="list-style-type: none">1) Saturday;2) Sunday;3) Day on which any one of Banks / RBI in Mumbai or the BSE Ltd are required or obliged by law or executive order to remain closed including the occasions when the functioning of any of the above banks or stock exchanges is affected due to bandhs / strike call made by a recognized union / management at any part of the country;4) A book closure period as may be announced by the Trustee / AMC, or day on which normal business cannot be transacted due to storms, floods or such other events as the Trustee / AMC may specify from time to time;5) Day on which the sale and redemption of units is suspended by the Trustee / AMC.



CBLO	Collateralised Borrowing and Lending Obligations is a money market instrument that enables entities to borrow and lend against sovereign collateral security. The maturity ranges from 1 day to 90 days and can also be made available upto 1 year. Central Government securities including T-bills are eligible securities that can be used as collateral for borrowing through CBLO.
CDSL	Central Depository Services (India) Limited
Custodian	Citibank, N. A. having one of its offices at 11 th Floor, First International Financial Centre, C-54 & 55, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051
Depository	A Company as defined in the Depositories Act, 1996 (22 of 1956)
Depository Participant	which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities And Exchange Board of India Act, 1992 (15 of 1992)
Fund Accountant	Citibank, N. A. having one of its offices at 11 th Floor, First International Financial Centre, C-54 & 55, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051
Infrastructure Debt Fund	Infrastructure Debt Fund means a mutual fund scheme that invests primarily (minimum 90% of scheme assets) in the debt securities or securitized debt instrument of infrastructure companies or infrastructure capital companies or infrastructure projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure, and other permissible assets in accordance with these regulations or bank loans in respect of completed and revenue generating projects of infrastructure companies or projects or special purpose vehicles.
IIFCL Mutual Fund Infrastructure Debt Fund – Series II	The Scheme that is being offered under this Placement Memorandum for subscription.
Infrastructure	“Infrastructure” for the purposes of this Scheme, shall include the sectors as specified by guidelines issued by SEBI or as notified by Ministry of Finance, from time to time.
Investment Management Agreement or IMA	The Investment Management Agreement dated August 17, 2012, executed between the Board of Trustees of IIFCL Mutual Fund and IIFCL Asset Management Company Limited, as amended from time to time.
ISC	Investor Service Centre of the Asset Management Company
Mutual Fund or Fund	IIFCL Mutual Fund (IDF)
Bombay Stock Exchange or BSE	BSE Limited
National Stock Exchange or NSE	National Stock Exchange of India Limited
NSDL	National Securities Depository Limited
NAV	Net Asset Value of the units offered under IIFCL Mutual Fund Infrastructure Debt Fund – Series II, calculated in the manner as per SEBI (MF) Regulations from time to time to be declared at least once in each quarter.
Private Placement Memorandum	This memorandum issued by IIFCL Mutual Fund (IDF) offering Units of IIFCL Mutual Fund Infrastructure Debt Fund – Series II



Private Placement Period	The dates on, or the period during which, the initial subscription to Units under this Scheme can be made to less than 50 investors.
RBI	Reserve Bank of India, established under the Reserve Bank of India Act, 1934
Registrar & Transfer Agent	Computer Age Management Services (CAMS), or any other registrar appointed by IAMCL from time to time.
Regulations / SEBI Regulations	SEBI (Mutual Funds) Regulations, 1996
Repo / Reverse Repo	Sale/purchase of Government securities as may be allowed by RBI from time to time with simultaneous agreement to repurchase/resell them at a later date.
SCSB	Self-Certified Syndicate Bank registered with the SEBI, which offers the facility of ASBA. Investors who wish to avail of ASBA facility are requested to submit the ASBA Form with SCSB.
SEBI	Securities and Exchange Board of India established under Securities and Exchange Board of India Act, 1992
Sponsor	India Infrastructure Finance Company Limited (“IIFCL”)
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. Further, the following categories of FIIs are designated as long term investors only for the purpose of IDF: (i) Foreign Central Banks (ii) Governmental Agencies (iii) Sovereign Wealth Funds (iv) International/Multilateral Organizations/Agencies (v) Insurance Funds (vi) Pension Funds Such other inclusion as may be made by SEBI from time to time.
The Trustee	Board of Trustees comprising of IIFCL (represented by Sh. Sanjeev Ghai, CGM, IIFCL), Central Bank of India (represented by Sh. B.S.Shekhawat, Field General Manager, Central Bank of India), Punjab National Bank (represented by Sh. H K Parikh, General Manager, Punjab National Bank), Oriental Bank of Commerce (represented by Sh. J.M.Singh, General Manager, Oriental Bank of Commerce) and Sh. Ajay Kumar Deb, Retired as Chief General Manager (Associate & Subsidiary Group), SBI.
Trust Deed	The Registered Trust Deed dated August 17, 2012 establishing IIFCL Mutual Fund as a Trust under the Indian Trusts Act, 1882, as amended from time to time.
The Scheme	IIFCL Mutual Fund Infrastructure Debt Fund – Series II The words ‘Scheme’ or ‘Series’ have been used interchangeably



	throughout this document.
Unit or Units	The interest of an investor which consists of one undivided share in the NAV of the relevant option of IIFCL Mutual Fund Infrastructure Debt Fund – Series II.

INTERPRETATION

- The terms defined in this offer document include the plural as well as the singular.
- Pronouns having a masculine or feminine gender shall be deemed to include the other.
- All references to "dollars" or "\$" refer to United States Dollars and "Rs." or "₹" refer to Indian Rupees.
- All references to timings relate to Indian Standard Time (IST).
- Words and expressions used herein but defined in the SEBI Act, 1992 or the SEBI (MF) Regulations shall have the meanings respectively assigned to them therein.

F. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY AND THE TRUSTEE

A Due Diligence Certificate duly signed by the Chief Executive Officer/Managing Director of IIFCL Asset Management Company Limited and countersigned by Chairman of Board of Trustees of IIFCL Mutual Fund (IDF) and has been submitted to SEBI on 23rd March, 2017, which reads as follows:

It is confirmed that:

- (i). The final Private Placement Memorandum forwarded to SEBI is in accordance with the SEBI (MF) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time.
- (ii). All legal requirements connected with the launching of the scheme as also the guidelines, instructions, etc., issued by the Government and any other competent authority in this behalf, have been duly complied with.
- (iii). The disclosures made in the Private Placement Memorandum are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the proposed scheme.



- (iv). The intermediaries named in the Private Placement Memorandum and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

**For IIFCL Asset Management Company Limited
(Asset Management Company to IIFCL Mutual Fund (IDF))**

Date: 23rd March, 2017
Place: Delhi

**Sd/-
Dr. E.S Rao
Director & Chief Executive Officer**

**Sd/-
For the Board of Trustees
(IIFCL Mutual Fund (IDF))**

Date: 23rd March, 2017
Place: Delhi

**Sanjeev Ghai
Chairman**



II. INFORMATION ABOUT THE SCHEME

A. TYPE OF THE SCHEME

Name: IIFCL Mutual Fund Infrastructure Debt Fund – Series II
A 10 years Close Ended Infrastructure Debt Fund under growth option

B. INVESTMENT OBJECTIVE

The investment objective of the Scheme is to generate appreciation in capital by investing in various permissible instruments/ securities belonging to the infrastructure sector.

C. ASSET ALLOCATION

Under normal circumstances, the asset allocation of the Scheme would be as under:

Type of Security	Indicative Allocation		Risk Profile
	Minimum	Maximum	
Debt securities or securitized debt instruments (including fixed/floating rate debt instruments) of: 1. Infrastructure holding companies, infrastructure companies, infrastructure capital companies Or, 2. Infrastructure projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure sector and other permissible assets in accordance with these regulations Or, 3. Bank loans ² in respect of completed and revenue generating projects of infrastructure Companies or special purpose vehicles or other permissible securities/assets in accordance with these regulations.	90%	100%	Low - Moderate
Convertibles including mezzanine financing instruments of companies engaged in infrastructure, infrastructure development projects, whether listed on a recognized stock exchange in India or not	0%	10%	Moderate - High
or Money market instruments or Bank Deposits or Govt securities with residual maturity of upto 1 year and such other permissible securities			Low- Moderate

²Securitized Bank Loans



The scheme being a close-ended scheme, funds received on account of re-payment of principal, whether by way of pre-payment or otherwise, with respect to the underlying assets of the scheme, shall be re-invested in the scheme in the assets as specified above.

If the investments as specified above are not available, such funds may be invested in bonds of Public Financial Institutions and Infrastructure Finance Companies.

Investment in Debt Securities or Securitized Debt of Infrastructure Companies can be up to 100% of the net assets of the Scheme.

“Infrastructure” for the purposes of this Scheme, shall include includes the sectors as specified by guidelines issued by SEBI or as notified by Ministry of Finance, from time to time.

The allocation mentioned above shall be applicable on the life-cycle of the Scheme and shall be reckoned with reference to the total amount raised by the Scheme.

Pending deployment of the funds in securities in terms of investment objective of the Scheme, the AMC may keep the funds of the Scheme in short term deposits of the Scheduled Commercial Banks, G-Secs, and T-Bills or invest in Collateralised Borrowing and Lending Obligations (“CBLO”), subject to regulation and/or guidelines issued by SEBI from time to time.

IAMCL may, from time to time, for a short term period under exceptional circumstances on defensive consideration modify/ alter the investment pattern/ asset allocation depending upon the perception of the debt and money market as well as the view on interest rates. However, the intent of the Investment Pattern of IAMCL shall always be directed to protect the Net Asset Value of the Scheme & the interests of Unit Holders, without seeking consents of the unit holders.

Subject to the SEBI (MF) Regulations, as amended from time to time, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute. These proportions can vary substantially depending upon the perception of the Investment Manager; the intention being at all times to seek to protect the interests of the Unit holders. Such changes in the investment pattern will be for short term i.e., upto one month and for defensive considerations only.

D. WHERE WILL THE SCHEME INVEST?

Eligible Infrastructure Sectors:

“Infrastructure” for the purposes of this Scheme, shall include includes the sectors as specified by guidelines issued by SEBI or as notified by Ministry of Finance, from time to time. Currently, the definition of ‘Infrastructure’ includes the following:

S. No.	Category	Infrastructure Sub-sectors
1.	Transport	<ul style="list-style-type: none"> Road and bridges

		<ul style="list-style-type: none"> • Ports² • Shipyards³ • Inland Waterways • Airports • Railway Track, tunnels, viaducts, bridges⁴ • Urban Public Transport (except rolling stock in case of urban road transport)
2.	Energy	<ul style="list-style-type: none"> • Electricity Generation • Electricity Transmission • Electricity Distribution • Oil pipelines • Oil/Gas/Liquefied Natural Gas (LNG) storage facility⁵ • Gas pipelines⁶
3.	Water & Sanitation	<ul style="list-style-type: none"> • Solid Waste Management • Water supply pipelines • Water treatment plants • Sewage collection, treatment and disposal system • Irrigation (dams, channels, embankments, etc.) • Storm Water Drainage System • Slurry Pipelines
4.	Communication	<ul style="list-style-type: none"> • Telecommunication (Fixed network)⁷ • Telecommunication towers • Telecommunication & Telecom Services
5.	Social and Commercial	<ul style="list-style-type: none"> • Education Institutions (capital stock)

²Includes Capital Dredging.

³“Shipyards” is defined as a floating or land-based facility with the essential features of waterfront, turning basin, berthing and docking facility, slipways and/or ship lifts, and which is self sufficient for carrying on shipbuilding/repair/breaking activities.

⁴Includes supporting terminal infrastructure such as loading/unloading terminals, stations and buildings.

⁵Includes strategic storage of crude oil.

⁶Includes city gas distribution network.

⁷Includes optic fibre/ wire/cable networks which provide broadband/internet.

	Infrastructure	<ul style="list-style-type: none"> • Hospitals (capital stock)⁸ • Three-star or higher category classified hotels located outside cities with population of more than 1 million. • Common infrastructure for Industrial Parks and other parks with industrial activity such as food parks, textile parks, Special Economic Zones, tourism facilities and agriculture markets. • Post-harvest storage infrastructure for agriculture and horticultural produce including cold storage • Terminal markets • Soil-testing laboratories • Cold chain⁹ • Hotels with project cost¹⁰ of more than Rs.200 crores each in any place in India and of any star rating; • Convention Centers with project cost¹⁰ of more than Rs. 300 crores each.
--	----------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

E. WHAT ARE THE INVESTMENT STRATEGIES

Investment Strategy

Investment decisions are made by the Fund Management Team led by Fund Manager(s) of the Scheme supported by the investment team. The Chief Executive Officer and Chief Investment Officer/ Fund Manager shall review all the investments on a regular basis. The Board of Directors of the AMC and the Board of Trustees shall review investments and performance of the scheme vis-à-vis similar schemes of other mutual funds on quarterly basis. All investments made by the scheme will be made in accordance with SEBI (MF) Regulations.

Investment due diligence:

- a) IAMCL has a fund management team headed by Chief Investment Officer (“CIO”). The CIO is responsible for overseeing the investment decisions of the fund in accordance with the mandates of the various schemes.
- b) IAMCL has the following structured committees for enabling and reviewing the investment decisions:
 - **The Investment Recommendation Committee (“IRC”)**
 - ✓ The IRC is constituted of the Chairman, Chief Executive Officer and CIO of IAMCL.

⁸Includes Medical Colleges, Para Medical Training Institutes and Diagnostic Centres.

⁹Includes cold room facility for farm level pre-cooling, for preservation or storage of agriculture and allied produce, marine products and meat.

¹⁰ Applicable with prospective effect for three years from 8-10-2013 (reference Gazette Notification No. 225) for eligible projects; Eligible costs exclude cost of land and lease charges but include interest during construction.



- ✓ The IAMCL investment team shall make the preliminary due diligence and present the findings to the IRC for in-principle approval.
 - ✓ The IRC will meet at periodic interval, to consider, review and recommend the investment process.
 - ***The Risk Management Committee (“RC”)***
 - ✓ The projects after giving in-principle approval by IRC shall be referred to the RC before taking it to the Investment Committee.
 - ✓ The Risk Evaluation and Management decisions will be taken by the Risk Management Committee.
 - ***The Board Level Investment Committee (“BLIC”)***
 - ✓ The Investment Committee, comprising of 50% independent directors, is the entire Board of IAMCL and shall give final approval for all the long term investments in debt securities (maturity more than 91 days) of infrastructure projects/companies/SPVs.
- c) IIFCL MF has constituted an Audit Committee comprising of four members (three independent trustee) with a purpose to review financial closure and reporting of IIFCL Mutual Fund.

Investment Due-Diligence Parameters

An investment proposal shall be reviewed broadly based on the following parameters:

- a) Promoters
 - ✓ Track record of Board of Directors/Promoters
 - ✓ Management & Corporate Governance
 - ✓ Relations with lenders-Banks/FIs
- b) Technical/Commercial Analysis
 - ✓ Project Feasibility
 - ✓ Vendor/Technology tie-ups and their terms & conditions
 - ✓ Off-take arrangement
 - ✓ Project Execution
 - ✓ Environmental Study
 - ✓ NOC/approvals from statutory bodies
- c) Financial Analysis
 - ✓ Project Cost & Means of Finance
 - ✓ Capital Structuring
 - ✓ Equity infusion by promoter
 - ✓ Project Financials
 - ✓ Risk & Sensitivity Analysis
 - ✓ Security Assessment
 - ✓ Credit Rating
- d) Other Factors
 - ✓ Policy & Regulatory Framework
 - ✓ Sector specific government policies
 - ✓ Macro-economic analysis & its impact



F. FUNDAMENTAL ATTRIBUTES

Following are the Fundamental Attributes of the Scheme, in terms of Regulation 18(15A) of the SEBI (MF) Regulations:

(i) Type of Scheme:

- Close Ended, 10 year Scheme under growth option

(ii) Investment Objective:

- *Main Objective:* The investment objective of the Scheme is to generate appreciation in capital/wealth by investing in various permissible instruments/ securities belonging to the infrastructure sector.

Investment Pattern: Refer to “WHERE WILL THE SCHEME INVEST?” of the Private Placement Memorandum.

(iii) Terms of Issue:

Listing/Repurchase/ Redemption of Units

The units of the Scheme will be listed on the BSE Ltd. However, the Trustees reserve the right to list the units of the Scheme on any other Stock Exchange as may be decided from time to time. Since units are proposed to be listed on the BSE an investor can buy/ sell units of the Scheme on a continuous basis on the BSE. The trading lot is one unit of the Scheme. Investors can purchase units at market prices, which may be at a premium/ discount to the NAV of the scheme depending upon the demand and supply of units at the exchanges.

Units of the Scheme will be automatically redeemed on the date of maturity at the applicable NAV. Please note that if maturity day of the Scheme falls on a non-business day, the Scheme would mature on the next business day.

In accordance with Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2011; as amended from time to time, IAMCL reserves the right to issue partly paid up units of the Scheme. In case AMC decides to issue partly paid up units under the Scheme, the said units will be listed on the Stock Exchange after the units offered under the scheme are fully paid up.

However if the AMC issues fully paid up units at the time of launch / issue closing, the said units are proposed to be listed on the stock exchange and can redeemed by the unit holder through the stock exchange mode.

On maturity of the Scheme, the maturity pay-out would be dispatched within 10 Business Days from the date of maturity.

Aggregate fees and expenses charged to the Scheme:

Please refer to the section ‘FEES AND EXPENSES’ for details on aggregate fees and expenses charged to the Scheme.



Any safety net or guarantee provided

The Scheme does not provide any guarantee or assurance to the unit holders.

In accordance with Regulation 18(15A) of SEBI (MF) Regulations, the Trustees shall ensure that no change in the Fundamental Attributes of the Scheme or the trust or fees and expenses payable or any other change which would modify the Scheme and affects the interest of the 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 the Mutual Fund may opt to send the communication to all unit holders in lieu of the advertisement.
- ii) The Scheme entails no exit load.

G. BENCHMARK AND ITS JUSTIFICATION

CRISIL Composite Bond Fund Index is the benchmark for the scheme. Currently there is no index in India which tracks the infrastructure sector. The fund reserves the right to change the said benchmark as and when such index is available.

The AMC and the Trustee may mutually agree to change the benchmark index or select an additional benchmark index after recording reasons for such change and by following required regulatory process and reserves the right to change the benchmark for evaluation of performance of the Scheme from time to time in conformity with the investment objectives and appropriateness of the benchmark subject to SEBI (MF) Regulations, and other prevailing guidelines, if any.

H. WHO WILL MANAGE THE SCHEME?

Profile of the Fund Manager	
Name	Mr. Prasanna Prakash Panda
Age	47 years
Qualification	Post Graduate in Management from IIM Ahmedabad, Graduate in Electrical Engineering
Experience in the infrastructure sector	Developed a strong pipeline of good quality investment opportunities in infrastructure projects Originated, structured and closed complex infrastructure projects – Gas and Coal based Power plants, Urban Infrastructure, Ports, Logistics and Transportation Infrastructure Provided Strategic advisory to Government, Private developers , and financing companies in Ports, chemical logistics and common industrial infrastructure



	Implemented Power projects, involved in Project management and cost monitoring
Previously with	IL&FS Group
Tenure	Managing <i>IIFCL MF(IDF) Series I</i> since Feb'2014

I. WHAT ARE THE INVESTMENT RESTRICTIONS?

As per SEBI (MF) Regulations, the following investment restrictions apply to the schemes of IIFCL Mutual Fund:

- (1) The Scheme shall invest at least ninety percent of the net assets of the Scheme in the debt securities or securitized debt instruments of infrastructure companies, infrastructure capital companies, infrastructure holding companies or projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure or bank loans in respect of completed and revenue generating projects of infrastructure companies or special purpose vehicle:

Provided that the funds received on account of re-payment of principal, whether by way of pre-payment or otherwise, with respect to the underlying assets of the Scheme, shall be invested as specified above:

Provided further that if the investments specified in this Para are not available, such funds may be invested in bonds of Public Financial Institutions and Infrastructure Finance Companies.

- (2) Subject to Para (1) above, the Scheme may invest the balance amount in mezzanine financing instruments of companies engaged in infrastructure, money market instruments and bank deposits.
- (3) The investment restrictions shall be applicable on the life-cycle of the Scheme and shall be reckoned with reference to the total amount raised by the Scheme.
- (4) The Mutual Fund shall, under all its Schemes, not invest more than thirty per cent of its net assets in the debt securities or assets of any single infrastructure company or project or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure or bank loans in respect of completed and revenue generating projects of any single infrastructure company or project or special purpose vehicle.
- (5) The Scheme shall not invest more than 30% of the net assets of the Scheme in debt instruments or assets of any single infrastructure company or project or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure or bank loans in respect of completed and revenue generating projects of any single infrastructure company or project or special purpose vehicle.



- (6) The overall investments by the Scheme in debt instruments or assets of infrastructure companies or projects or special purpose vehicles, which are created for the purpose of facilitating or promoting investment in infrastructure or bank loans in respect of completed and revenue generating projects of infrastructure companies or projects or special purpose vehicles, which are rated below investment grade or are unrated, shall not exceed 30% of the net assets of the Scheme:
Provided that the overall investment limit may increase upto 50% of the net assets of the scheme with the prior approval of the Trustee and the board of the AMC.
- (7) The Scheme shall not invest in –
- (i) Any unlisted security of the sponsor or its associate or group company;
 - (ii) Any listed security issued by way of preferential allotment/ private placement by the sponsor or its associate or group company;
 - (iii) Any listed security of the sponsor or its associate or group company or bank loan in respect of completed and revenue generating projects of infrastructure companies or special purpose vehicles of the sponsor or its associate or group companies, in excess of twenty five per cent of the net assets of the Scheme, subject to approval of trustees and full disclosures to investors for investments made within the aforesaid limits; or
 - (iv) Any asset or securities owned by the sponsor or asset management company or its associates, in excess of 30% of the net assets of the Scheme, provided that –
 - (a). such investment is in assets or securities not below investment grade;
 - (b). the promoter or its associates retains at least 30% of the assets or securities, in which investment is made by the Scheme, till the assets or securities are held in the Scheme portfolio; and
 - (c). Approval for such investment is granted by the trustees and full disclosures are made to the investors regarding such investment.
- (8) The Scheme shall not invest more than 10% of its net assets in money market instruments of an issuer:
Provided that such limit shall not be applicable for investments in Government securities, treasury bills and collateralized borrowing and lending obligations.
- (9) IIFCL Mutual Fund under all its schemes will not own more than ten per cent of any company's paid up capital carrying voting rights.
- (10) The scheme may invest in another scheme under the same asset management company or any other mutual fund without charging any fees, provided that aggregate inter-scheme investment made by all schemes under the same management or in schemes under the management of any other asset management company shall not exceed 5% of the net asset value of IIFCL Mutual Fund:
Provided that this clause shall not apply to any fund of funds scheme.
- (11) IIFCL Mutual Fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities:
Provided that IIFCL Mutual Fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by the Board:
Provided further that IIFCL Mutual Fund may enter into derivatives transactions in a recognized stock exchange, subject to the framework specified by the Board.



Provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the Reserve Bank of India in this regard.

- (12) IIFCL Mutual Fund / IIFCL Mutual Fund Infrastructure Debt Fund Series II shall get the securities purchased or transferred in the name of IIFCL Mutual Fund on account of the concerned scheme, wherever investments are intended to be of long-term nature.
- (13) Pending deployment of the funds in securities in terms of investment objective of the Scheme, the AMC may invest in money market instruments (including T-Bills, CBLO, CP and CD), Government Securities, bank deposits and such other investments subject to regulation and/or guidelines issued by SEBI from time to time.
- (14) The Scheme shall not borrow except to meet temporary liquidity needs of the Fund for the purpose of redemption of units or payment of interest and dividend to the Unit holders, provided that the Fund shall not borrow more than 20% of the net assets of the individual scheme and the duration of the borrowing shall not exceed a period of 6 months.

Investment by AMC in the Scheme

The AMC may invest in the Scheme either during the Private Placement Period or subsequently. As per the Regulations, such investments are permitted subject to disclosure being made in the Private Placement Memorandum. However, it shall not charge any investment management fee on such amounts invested by it.

The Trustee of the Mutual Fund may alter these limitations/ objectives from time to time to the extent the SEBI (MF) Regulations change so as to permit the Scheme to make its investments in the full spectrum of permitted investments for the Fund in order to achieve its investment objectives. All investments of the Scheme will be made in accordance with the SEBI (MF) Regulations.

Apart from the Investment Restrictions prescribed under the SEBI (MF) Regulations, internal risk parameters for limiting exposure to a particular scheme may be prescribed from time to time to respond to the dynamic market conditions and market opportunities.

J. HOW HAS IIFCL MUTUAL FUND INFRASTRUCTURE DEBT FUND SERIES I PERFORMED?

IIFCL MF (IDF) had launched its maiden scheme “IIFCL Mutual Fund Infrastructure Debt Fund Series I” under ‘Private Placement’ on Dec 1st2013 and closed successfully on Feb 6th2014. It is a 10-year close-ended scheme under growth option.

Total corpus raised amounted to Rs. 300 Crore (~USD 50 Million). The Investors in the first scheme are IIFCL, Canara Bank, HUDCO, Corporation Bank and Oriental Bank of Commerce. The Scheme is rated “AAA mf-idf” by CARE and Brickwork rating agencies and the units of the Scheme are listed on BSE.



The performance of the maiden scheme is given below:

Particulars	As on (31.03.2015)	As on (31.03.2016)	As on (31.12.2016)
NAV (Rs.)*	11,12,687.49	12,48,010.25	13,38,180.50
AUM (Rs. Cr)	333.80	374.40	401.45
Compounded Annualized Yield	10.13%	12.13%	15.93%
Annual Yield [^] of the Benchmark**	14.59%	8.22%	12.91%
Yield[^] since inception	9.87%	10.92%	10.60%
Yield [^] of Benchmark (since inception)	14.02%	11.26%	11.91%

*FV is Rs 10 lac , ** Crisil Composite Bond Index ^ Compounded annualized yield

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

Sector #	Percentage
Electricity Generation	30.96%
Electricity Transmission	2.43%
Electricity Distribution	12.68%
5 Star Hotel / Industrial Park	11.19%
Infrastructure Company	25.39%
Road (OMT*)	3.50%
Receivable, FD,T-Bills etc	13.84%
TOTAL	100.00%

*Operations, Maintenance & Tolling

As on 28th February,2017

Latest scheme portfolio can be accessed from below link:

<http://iifclmf.com/downloads/monthly-portfolio-disclosure/>

Scheme Portfolio turnover ratio: 0.4089 (as on 28th February,2017)

K. INDICATIVE PORTFOLIO BASED ON TYPE OF ASSETS:

S.No.	Type of Security	Indicative Allocation		Remarks
		Minimum	Maximum	
(A)	Debt Instruments of Infrastructure Projects	90%	100%	“BBB-” rated & above for at least 80% of the AUM.
(i)	Completed and revenue generating projects of infrastructure Companies or special purpose vehicles	50%	100%	“BBB-” rated & above
(ii)	Infrastructure holding	0%	30%	“BBB-” rated & above

	companies, infrastructure companies			
(iii)	Sub-debt including funding to sponsor vehicles	0%	20%	“BBB” rated & above for sub-debt instruments
(iv)	Under-construction projects/Projects at advanced stages of construction. Projects to be backed by experienced and financially stable sponsors who will finance cost overruns, if any.	0%	10%	Rated/Unrated
(B)	Money Market Instruments	0%	10%	“AA” rated & above for money market instruments
(C)	Bonds of Public Financial Institution or Infra Finance Companies	0%	100%	“AA” rated & above

L. VALUATION POLICY FOR THE ASSETS OF THE SCHEME

VALUATION POLICY

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



deviation from the disclosed valuation policy and procedures may be allowed with appropriate reporting to Board of Trustees and the Board of IIFCL Asset Management Company Limited and appropriate disclosures to investors.

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

M. EXTENSION IN THE TENURE OF THE SCHEME

As per the SEBI (MF) Regulations, the tenure of the scheme may be extended to two years subject to approval of two-thirds of the unit holders by value of their investment in the scheme.



III. PLACEMENT DETAILS

A. PLACEMENT PERIOD

Private Placement opens on: 31st March,2017

Placement Period Close date will be informed by way of an addendum to be hosted on www.iifclmf.com

The Trustee reserves the right to extend the closing date which shall be notified to the investors directly by the AMC.

<p>Offer Price: This is the price per unit that the investors have to pay to invest during the Placement Period.</p>	<p>Rs 10 lakh per unit</p> <p>IAMCL may issue partly paid units at initial close / launch of Scheme and call for unpaid portions subsequently depending upon deployment opportunities and subject to the conditions specified in the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2011; as amended from time to time.</p>
<p>Minimum Amount for Application</p>	<p>Rs 1 crore and in multiples of Rs. 10 lakh thereafter.</p>
<p>Minimum Target Amount This is the minimum amount required to operate the scheme and if this is not collected during the Placement Offer Period, then all the investors would be refunded the amount invested without any return. However, if AMC fails to refund the amount within five business days, interest as specified by SEBI (currently 15% p.a.) will be paid to the investors from the expiry of five working days from the date of closure of the subscription period.</p>	<p>Rs 200 crore</p>
<p>Maximum amount to be raised</p>	<p>Rs 1,500 Crore</p>
<p>Details of strategic investors and amounts committed by them</p>	<p>IIFCL with the firm commitment of upto Rs 200 Crores or 50% of the Fund size</p>
<p>Plans / Options offered</p>	<p>Closed Ended Scheme under Growth Option. The Scheme will not declare any dividend under this option.</p>
<p>Dividend Policy</p>	<p>Being a Growth option scheme, no dividends would be paid.</p>
<p>Allotment</p>	<p>Allotment shall be made within five working days of the closure of the Placement Period</p>
<p>Refund</p>	<p>In accordance with the SEBI (MF) Regulations, if the Scheme fails to collect the minimum subscription</p>

	<p>amount as specified above, the Fund shall be liable to refund the money to the applicants.</p> <p>The refund of subscription money to applicants whose applications are invalid for any reason whatsoever will commence immediately after the allotment process is completed.</p> <p>The minimum amount required to operate the scheme if not collected during the Placement Offer period, then all the investors would be refunded the amount invested without any return. However, if AMC fails to refund the amount within five business days, interest as specified by SEBI (currently 15% p.a.) will be paid to the investors from the expiry of five working days from the date of closure of the subscription period.</p> <p>IAMCL will endeavour to refund the proceeds on the best effort basis either through electronic mode or physical mode. Refund by physical mode will include Refund orders that will be marked “A/c. Payee only” and be in favour of and be despatched to the sole/first Applicant, by registered post, speed post, hand delivery, courier, etc.</p>
Dividend	NA
Redemption	<p>No redemption shall be permitted during the tenure of the Scheme. The maturity proceeds shall be dispatched to the unitholders at the time of maturity of the Scheme within 10 working days from the date of maturity of the Scheme.</p> <p>IAMCL shall be liable to pay interest to the Unit holders at such rate as may be specified by SEBI for the period of such delay beyond 10 working days (presently@ 15% per annum).</p>
Listing of fully paid up units	<p>The Scheme is a close ended scheme. The investors in the scheme, after their subscription of units of the scheme, are free to trade the units on the exchange in the secondary market where the units would be listed.</p> <p>The trading would be possible after the units are listed on the exchange. The units would be listed on BSE Ltd within one month from the date of allotment.</p>
Mandatory quoting of Bank Mandate:	<p>SEBI has made it mandatory for investors to provide their bank details viz. name of bank, branch, address, account type and number, etc. to the Mutual Fund. Applications without complete bank details are liable to be rejected. The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques/ warrants and/ or any delay/ loss in transit.</p>



Permanent Account Number:	<p>As per SEBI Circular dated April 27, 2007, Permanent Account Number (PAN) has been made the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction, effective July 2, 2007. Transactions by unit holders/ investors who fail to submit copy of PAN are liable to be rejected.</p> <p>Accordingly, 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. In case of joint holding, PAN details of all holders should be submitted. In case the application is on behalf of minor, PAN details of the Guardian must be submitted. Furnishing an incorrect PAN or not furnishing these details could invite a penalty of Rs. 10,000, as per the extant provisions of the Income Tax Act, 1961.</p> <p>However, there are certain nature of transactions and type of clients for which PAN is not mandatory, as mentioned below:</p> <ul style="list-style-type: none">• Micro SIPs: SIPs upto Rs. 50,000/- per year per investor;• Investments from investors residing in the state of Sikkim;• Investments from Central Government, State Government and the officials appointed by the Courts e.g. Official liquidator, Court receiver etc. (under the category of Government).• UN entities/multilateral agencies exempt from paying taxes/filing tax returns in India.• In case of institutional clients, namely, FIIs, MFs, VCFs, FVCIs, Scheduled Commercial Banks, Multilateral and Bilateral Development Financial Institutions, State Industrial Development Corporations, Insurance Companies registered with IRDA and Public Financial Institution as defined under section 4A of the Companies Act, 1956, Custodians shall verify the PAN card details with the original PAN card and provide duly certified copies of such verified PAN details to the intermediary. <p>In all the above cases, Investors are requested to submit such documents as mentioned under.</p>
Lien/ pledge of units for Loans:	In compliance with the guidelines and notifications



	<p>issued by SEBI / Government of India / any other regulatory body from time to time, Units under the Scheme may be offered as security by way of a lien / pledge/ charge in favour of scheduled banks, financial institutions, non-banking finance companies (NBFCs), or any other body. The Registrar will note and record the lien/ pledge/ charge against such Units. A standard form for this purpose is available on request with the Registrar. The Unit Holder will not be able to redeem / switch Units under lien until the Lien Holder/ pledgee/ charge holder provides written authorisation to the Fund that the lien/ pledge/ charge may be vacated. As long as Units are under lien/ pledge/charge, the Lien Holder/ pledgee/charge holder will have complete authority to exercise the lien/pledge/charge, thereby redeeming such Units and receiving payment proceeds. In such instance, the Unit Holder will be informed by the Registrar through an account statement. In no case will the Units be transferred from the Unit Holder to Lien Holder/ pledgee/ charge holder. Dividends declared on Units under Lien will be paid / re-invested to the credit of the Unit Holder and not the Lien Holder / pledgee/ charge holder. No pledge/ lien/charge shall be recognized by the AMC unless it is registered with Registrar and the acknowledgement has been received.</p>
Capital Commitment	Only fully paid up units will be issued
Subsequent Drawdowns	Only fully paid up units will be issued
Default on Capital Calls and the interest or penalty thereon, with the interest or penalty being retained in the scheme	Only fully paid up units will be issued, hence not applicable.
How to apply and where to submit the application	Please refer to the SAI and Application form for the instructions
Mode of Payment	<p>Investors may make payments for subscription to the Units of the Scheme at the bank collection centres by local Cheque/Pay Order/Bank Draft, drawn on any bank branch, which is a member of Bankers Clearing House located in the official Point of acceptance of transactions where the application is lodged or by giving necessary debit mandate to their account or by any other mode permitted by IAMCL.</p> <p>Cheques/Pay Orders/Demand Drafts should be drawn as follows:</p> <ul style="list-style-type: none">• The Cheque/DD/Pay order should be drawn in favour of “IIFCL Mutual Fund Infrastructure Debt Fund Series II” as mentioned in the application form/addendum at the time of the launch. Please note



	<p>that all cheques/DDs/pay orders should be crossed as "Account payee"</p> <ul style="list-style-type: none">• Centres other than the places where there are official point of acceptance of transactions as designated by IAMCL from time to time, are Outstation Centres. Investors residing at outstation centres should send demand drafts drawn on any bank branch which is a member of Bankers Clearing House payable at any of the places where an official point of acceptance of transactions is located.• Payments by cash, money orders, postal orders, stock invests and out-station and/or postdate cheques will not be accepted
Restrictions, if any, on the right to freely retain or dispose of units being offered:	<p>The Scheme shall be available for subscription in dematerialised (electronic) mode also. Since the Scheme is going to be listed and no direct repurchase facility is available with the Mutual Fund, the investors who intend to trade in units are required to have a demat Account and hold the units in the dematerialized form only. This being a Closed Ended Scheme, no premature redemption can be made through redemption instruction to the Mutual Fund. However, the Scheme will provide for liquidity through listing on the BSE and/or other recognized stock exchanges where units may be listed. Further, AMC intends to register with both NSDL & CDSL. Unitholders who intend to avail of the facility to trade in units are required to have a demat account with a depository participant. Investors to note that their name mentioned in the Application Form must match with the name provided to the DP. In case of any discrepancies, the application will be processed under physical mode.</p> <p>In case Unit holders do not provide their demat account details in the application form, it shall be treated as investment under physical mode and they will not be able to trade on the eligible Stock Exchange until the holding are converted into demat mode and listed on the stock exchange.</p>
Statement of Account	<p>The AMC shall send confirmation specifying the number of units allotted to the investor by way of email and/or SMS to the investor's registered email address and/or mobile number (if provided by the investor) as soon as possible but no later than ten business days from the date of closure of the private placement period.</p> <p>Further, a Statements of Account shall be sent by</p>



	ordinary post/ courier/ e-mail/ any other permitted mode, to each Unitholder, stating the number of Units allotted. The statement of account shall not be construed as a proof of title and is only a computer generated statement indicating the details of transactions under the Scheme and is a non-transferable document. The account statement will be issued in lieu of Unit Certificate/s.
Transaction Charges	No transaction charges would be levied to the scheme. The sourcing of investors would be done in house.

Unit Certificates

Normally, no Unit Certificates will be issued. However, if the applicant so desires, the AMC shall issue a non-transferable Unit Certificate to the applicant within 5 Business days of the receipt of request for the certificate. A Unit Certificate if issued must be duly discharged by the Unitholder(s) and surrendered along with any other transaction of Units covered therein.

Who can invest?

Units under the Scheme can be bought by the following entities subject to the relevant rules / byelaws / constitution of the investor:

- Resident Adult Individuals, either singly or jointly (not exceeding Three);
- Parents / Legal Guardians on behalf of Minors;
- Non-resident Indians (NRIs)/ Persons of Indian origin resident abroad on repatriation and on-repatriation basis;
- Karta of Hindu Undivided Families (HUF);
- Companies, Bodies Corporate, Public Sector Undertakings, association of persons or bodies of individuals whether incorporated or not and societies registered under the Societies Registration Act, 1860 (so long as the purchase of Units is permitted under the respective constitutions);
- Wakfs and Trustee of private trusts authorised to invest in mutual fund scheme under the Trust Deed;
- Banks (including Cooperative Banks and Regional Rural Banks), Financial Institutions & Investment Institutions;
- Mutual Funds registered with SEBI;
- Partnership Firms;
- Societies;
- Religious, Charitable and Private Trusts, under the provisions of 11(5) of Income Tax Act, 1961 read with Rule 17C of Income Tax Rules, 1962 (subject to receipt of necessary approvals as “Public Securities”, wherever required);
- Foreign Institutional Investors registered with SEBI;
- Foreign investors/companies/firms/other bodies corporate incorporated outside India subject to FIPB/ RBI approval and meeting KYC/ AML requirement;
- Army/ Air Force/ Navy and other para military units and bodies created by such institutions;



- Scientific & Industrial Research Organisations;
- International Multilateral Agencies approved by the Government of India;
- Non-Government Provident / Pension / Gratuity funds as and when permitted to invest;
- Others who are permitted to invest in the Scheme as per their respective constitutions;
- Trustees, AMC or Sponsor or their associates (if eligible and permitted under prevailing laws), may subscribe to the Units under the Scheme;
- The Fund reserves the right to include / exclude new / existing categories of investors to invest in the Scheme from time to time, subject to SEBI (MF) Regulations, and other prevailing statutory regulations, if any.

This is an indicative list and you are requested to consult your financial advisor to ascertain whether the scheme is suitable to your risk profile.

Who cannot invest?

It should be noted that the following persons cannot invest in the scheme(s):

1. Overseas Corporate Bodies (OCBs) shall not be allowed to invest in the Scheme. These will be firms and societies, which are held directly or indirectly but ultimately to the extent of at least 60% by NRIs and trusts in which at least 60% of the beneficial interest is similarly held irrevocably by such persons (OCBs).
2. Non-Resident Indians residing in the United States of America and Canada

NRIs residing in Non-Compliant Countries and Territories (NCCTs) as determined by the Financial Action Task Force

Uniform Know Your Customer (“KYC”)/ In Person Verification (IPV) Requirements:

Investors are requested to note that, pursuant to SEBI Circular dated October 5, 2011, SEBI registered intermediaries (including Mutual Funds) are required to use uniform KYC form and obtain uniform supporting documents from the Investors. In accordance with the said circular, AMFI vide its circular dated December 27, 2011, has devised new KYC Application Form (KAF) for Individual as well as Non-Individual Mutual Fund Investors with effect from January 1, 2012. Further, please note that SEBI vide its circular dated December 23, 2011 has mandated all SEBI registered intermediaries (including Mutual Funds) to perform an IPV of its Investors with effect from January 1, 2012.

Accordingly, New Investors of IIFCL Mutual Fund, in respect of whom KYC and IPV is not performed by any other SEBI registered intermediaries, are required to perform KYC and an IPV with IIFCL Mutual Fund. Registrar & Transfer Agent of IIFCL Mutual Fund i.e. Computer Age Management Services Private Limited may also undertake the KYC of the New Investors. Investors can download the new KAF from the website of the Mutual Fund at www.iifclmf.com.

The SEBI registered intermediary (including Mutual Funds) who performs the initial KYC of the New Investors shall upload the KYC information on the system of the KYC Registration Agency (“KRA”) and send the KYC documents i.e. KYC application form and supporting documents of the Investors to the KRA within 10 working days from the date of execution of documents by the Investor. KRA shall send a letter to the Investors within 10 working days of the receipt of the initial/ updated KYC form and documents from intermediary, confirming the details thereof.



Once KYC is performed successfully with any SEBI registered intermediary, any other intermediary can verify and download the same from the system of the KRA. As a result, once the Investor has done KYC with a SEBI registered intermediary, the said Investor need not undergo the same process again with another intermediary. However, IIFCL Mutual Fund/IIFCL Asset Management Company Ltd., reserves the right to perform fresh KYC/ obtain additional documents from the Investor.

Investors are further requested to note that IPV may be performed by any SEBI registered intermediary (including Mutual Funds) and can be relied upon by other intermediaries.

Applications without the required details are liable to be rejected without any reference to the investors.

Non PAN based KYC/ IPV applicability:

For certain nature of transactions and type of clients, as mentioned above, PAN is not mandatory. However, such investors are requested to note that KYC shall be mandatory even in respect of these transactions.

Since PAN is not mandatory in such cases, sufficient documentary evidence (any of the documents mentioned below) shall be collected from the investor in lieu of PAN:

a. Voter Identity Card **b.** Driving License **c.** Government/Defence Identification Card **d.** Passport **e.** Photo Ration Card **f.** Photo Debit Card **g.** Employee ID cards issued by companies registered with Registrar of Companies **h.** Photo Identification issued by Bank Managers of Scheduled Commercial banks/ Gazetted Officer/Elected Representatives to the Legislative Assembly/Parliament **i.** ID card issued of employees of Scheduled Commercial/State/District Co-operative Banks **j.** Senior Citizen/Freedom Fighter ID card issued by Government **k.** Card issued by Universities/deemed universities or institutes and statutes like ICAI, ICWA, ICSI **l.** Permanent Retirement Account No. (PRAN) card issued to New Pension System (NPS) subscribers by CRA (NSDL) .Any other photo ID card issued by Central Government/State Governments/Municipal authorities/Government organizations like ESIC/EPFO.

Investors are requested to note that the above documents may vary from time to time depending upon circulars/ notifications/ guidelines issued by Central Government/State Governments/Municipal authorities/ Government authorities/ Regulatory authorities from time to time.

Investors are requested to note that the same is in addition to Proof of Identification and Proof of Address documents mentioned in KYC Application Form.

The photo identification document has to be current and valid.

Further, please note that IPV as prescribed by SEBI vide its circular dated December 23, 2011, shall be performed for investors falling under this category.

Applications without the required details are liable to be rejected without any reference to the Investors.



Prevention of Money Laundering:

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

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

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

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

Listing:

The SEBI (MF) Regulations require that every close-ended scheme be mandatorily listed on a recognized stock exchange. Units, after being fully paid up will be listed on the Stock Exchange and can be redeemed by the unit holder through the Stock Exchange mode.

The Fund intends to list the units of the Scheme on BSE Ltd (BSE).

Investors will not be able to redeem their units during the tenor of the Scheme and there will be automatic redemption by the Fund on the maturity of the Scheme. However the units held in dematerialized form can be traded on the Stock Exchange.

Investors are requested to refer Disclaimer of BSE Limited mentioned on page number 3 of this Document.

Units under the Scheme will be listed on the Stock Exchange after the units are fully paid up.

Units held by way of an Account Statement cannot be transferred.

Units held in demat form are transferable in accordance with the provisions of SEBI (Depositories and Participants) Regulations, as may be amended from time to time. Transfer can be made only in favour of transferees who are capable of holding units and having a Demat Account. The delivery instructions for transfer of units will have to be lodged with the



Depository Participant (“DP”) in requisite form as may be required from time to time and transfer will be effected in accordance with such rules/regulations as may be in force governing transfer of securities in dematerialized mode.

Minimum balance to be maintained and consequences of non-maintenance: Not Applicable

Consolidated Account Statement (“CAS”):

- Consolidated Account Statement (CAS) shall be sent by mail/ email to the investors for each calendar month on or before tenth day of succeeding month. The said Account Statement shall contain details relating to all the transactions* and holding at the end of the month including transaction charges paid to the distributor, if any, across all schemes of all mutual funds, to all the investors in whose folios transaction has taken place during that month.
- Further, the CAS shall be sent by mail/ email to the investors for every half year (September/ March), on or before tenth day of succeeding month, detailing holding at the end of the six month, across the schemes of all mutual funds, to all such investors in whose folios no transaction* has taken place during that period.
- Investors are requested to maintain uniform email IDs across schemes of all mutual funds.
* *The word “transaction” shall include purchase, redemption, switch, dividend payout, dividend reinvestment, SIP/SWP/STP/DIP and bonus transactions.*

Investors are requested to take note of the following in respect of dispatch of Statement of Account/ CAS:

- If an investor desires, the AMC shall issue the unit certificates within five business days of the receipt of request for the certificate.
- For those investors who have provided an email address, the AMC will send the statement of account by e-mail.
- The investor may request for a physical statement of account by writing/calling the AMC/Registrar & Transfer Agent.
- For the purpose of sending CAS, common investors across mutual funds shall be identified by their Permanent Account Number (“PAN”). Thus CAS shall not be received by the investor for the folio(s) not updated with PAN/ invalid PAN. Such folios will receive CAS from IIFCL Asset Management Company Limited (AMC) in respect of their investment in schemes of IIFCL Mutual Fund only. Investors are therefore requested to ensure that the folio(s) are updated with their PAN at the earliest.
- The CAS shall not be received by the investor in respect of Applications on behalf of Minor (Minor Folios). Such folios shall receive CAS from AMC in respect of their investment in schemes of IIFCL Mutual Fund only, till the time status of folio is changed from minor to major.
- In the event the folio having more than one registered holder, the first named holder shall receive CAS/ Statement of Account. Investors are requested to note that Consolidation for the purpose of sending CAS shall be done only for folios in which the unitholders and the order of holding in terms of first, second and third is similar.

The statement of holding of the beneficiary account holder for units held in demat mode will be sent by the respective Depository Participants periodically.

**Redemption:**

Investors willing to exit prior to the maturity of the scheme, may do so by selling their units through the Exchange

Units of the Scheme will be automatically redeemed on the date of maturity at the applicable NAV. The redemption proceeds on maturity shall be dispatched to the unitholders within 10 business days from the date of maturity.

Units under the Scheme will be listed on the Stock Exchange after the units are fully paid up.

Delay in payment of redemption/ repurchase/ dividend proceeds:

The Asset Management Company shall be liable to pay interest to the unitholders at such rate as may be specified by SEBI for the period of such delay.

Delisting of units:

The units of a mutual fund scheme shall be delisted from a recognized stock exchange in accordance with the guidelines as may be specified by SEBI.

B. PERIODIC DISCLOSURE**Net Asset Value:**

The Mutual Fund shall calculate the Net asset value of the Scheme at least once in each quarter and declare on AMFI's website www.amfiindia.com and also at www.iifclmf.com.

The Fund shall value its investments according to the valuation norms, as specified in Eighth Schedule of SEBI (MF) Regulations, or such norms as may be prescribed by SEBI from time to time.

The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and such regulations as may be prescribed by SEBI from time to time.

The investors are requested to refer to the section 'VALUATION POLICY FOR THE ASSETS OF THE SCHEME'.

Portfolio Disclosures:

The AMC shall disclose the portfolio of the Scheme on a monthly basis in the format prescribed by SEBI; on the Mutual Fund website at www.iifclmf.com

Half yearly Disclosures: Financial Results:

The mutual fund shall publish a complete statement (in the format as prescribed by SEBI) of the



unaudited financial results, within one month from the close of each half year (i.e. 31st March and 30th September), by way of an advertisement at least, in one National English daily and one regional newspaper in the language of the region where the head office of the mutual fund is located. The same shall be published on the website www.iifclmf.com

The mutual fund may opt to send the unaudited financial results to all unit holders in lieu of the advertisement.

Half Yearly Disclosures: Portfolio Statements:

The Mutual Fund shall before the expiry of one month from the close of each half year (that is on 31st March and on 30th September), publish its scheme portfolio in one national English daily newspaper and in a regional newspaper published in the language of the region where the Head Office of the mutual fund is situated.

The mutual fund may opt to send the portfolios to all unit holders in lieu of the advertisement.

Annual Report:

Scheme wise Annual Report or an abridged summary thereof shall be mailed to all unitholders within four months from the date of closure of the relevant accounts year i.e. 31st March each year.

Unitholders are requested to note that email shall be treated as a default mode for sending Abridged Annual Report of the Schemes of IIFCL Mutual Fund to the Unitholders who have provided their email address in the Application Form or in any other subsequent communication in any of the folio belonging to the unitholder. Unitholders can download and print the Abridged Annual Report after receiving the email from the Mutual Fund. If the Unitholder experiences any difficulty in accessing the Abridged Annual Report sent via email, the Unitholder can inform IIFCL Asset Management Company Limited so as to enable the Mutual Fund to make the delivery through alternate means. Failure to inform within 72 hours after receiving the email would serve as an affirmation regarding the acceptance by the Unitholder of the Abridged Annual Report. Unitholders who also wish to obtain a physical copy of Abridged Annual Report can request IIFCL Asset Management Company Limited. Upon such request copy of Abridged Annual Report shall be provided to the unitholder free of cost.

Further, the unitholders are requested to note that a link of the scheme annual reports or abridged summary shall be displayed prominently on our website www.iifclmf.com

Taxation:

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

TAX IMPLICATIONS TO MUTUAL FUND:

IIFCL Mutual Fund is registered with SEBI and as such, the entire income of the Fund is exempt from income tax under Section 10(23D) of the Income Tax Act, 1971. In view of the provisions



of Section 196(iv) of the Income Tax Act, 1971, no income tax is deductible at source on the income earned by the mutual fund.

Jurisdiction:

The jurisdiction for any matters arising out of this Scheme shall reside with the courts in India.

Investor services:

Sh. Ajay Pal Singh Saini is the Investor Grievance Officer and can be contacted at: IIFCL Asset Management Company Limited, 301-312, 3rd Floor, Ambadeep Building, 14, Kasturba Gandhi Marg, New Delhi – 110001 Phone: 011-43717125E-mail: complianceofficer@iifclmf.com

Income Tax

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

Tax deduction at source (“TDS”)/Withholding Tax on Fund’s Income

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

Tax on Distributed Income

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

IDF will be liable to pay tax on the distributed income:

- to unit holders who are Individuals and Hindu Undivided Family, @ 25%.
- to unit holders who are other than Individuals and Hindu Undivided Family, @ 30%.
- to unit holders who are Non-Resident or foreign company @ 5%.

W.e.f. 1st October 2014, tax on distributed income is required to be paid by IDF after grossing up income distributed to investors by applicable rate of tax as explained above.

The tax on distributed income as referred above, will also attract Surcharge @ 12%, Education Cess @ 2% and Secondary and Higher Education Cess @ 1%.

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

Service Tax

IIFCL Asset Management Ltd. (the AMC) and IDF will be liable to pay Service tax to vendors on all services availed unless such services are covered in the Negative List specified under Section 66D of the Finance Act 2004 or otherwise exempted by issue of Notification No. 25/2012 - Service Tax issued on 20th June, 2012.

The Income by way of Management Fees receivable by the AMC will be subject to service tax and the fund will be liable to pay the service tax to the AMC on the management fees payable to AMC. The AMC will be responsible for collecting the tax and depositing the tax with the government

The service tax rate will be 15% (inclusive of Swachh Bharat Cess of 0.5% and Krishi Kalyan Cess of 0.5%)



Other Taxes

The activities of the Asset Management Companies (AMCs)/Mutual Funds may be subject to additional taxation as may be notified and imposed, from time to time.

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

According to the Inter-Governmental Agreement read with the Foreign Account Tax Compliance Act (FATCA) provisions, foreign financial institutions in India are required to report tax information about US account holders to the Indian Government. The Indian Government has enacted rules relating to FATCA reporting in India. A statement is required to be provided online in Form 61B for every calendar year by 31 May. The Reporting Financial Institution is expected to maintain and report the following information with respect to each reportable account:

- the name, address, taxpayer identification number [TIN (assigned in the country of residence)] and date and place of birth [DOB, POB (in the case of an individual)];
- where an entity has one or more controlling persons that are reportable persons:
 - the name and address of the entity, TIN assigned to the entity by the country of its residence; and
 - the name, address, DOB, POB of each such controlling person and TIN assigned to such controlling person by the country of his residence;
- account number (or functional equivalent in the absence of an account number);
- account balance or value (including, in the case of a cash value insurance contract or annuity contract, the cash value or surrender value) at the end of the relevant calendar year;
- the total gross amount paid or credited to the account holder with respect to the account during the relevant calendar year; and
- in case of any account held by a non-participating financial institution (NPFI), for the calendar years 2015 and 2016, the name of NPFI and aggregate amount of such payments.

Further, it also provides for specific guidelines for conducting due diligence of reportable accounts, viz. US reportable accounts and other reportable accounts.

C. COMPUTATION OF NAV

The calculation and the periodicity of publication of the NAV and redemption prices will be in conformity with the Eighth Schedule of the SEBI (MF) Regulations. NAVs of the scheme shall be calculated and declared at least once in each quarter.

The NAV would be determined in the following manner:

$$\text{NAV (Rs.) per unit} = \frac{\text{Market/Fair value of Scheme's investments} + \text{Accrued Income} + \text{Other Assets} - \text{Accrued Expenses} - \text{Liabilities} - \text{Provisions}}{\text{No. of Units outstanding under Scheme on the Valuation Date}}$$

No. of Units outstanding under Scheme on the Valuation Date

The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and such regulations as may be prescribed by SEBI from time to time.



Account balances of Units will be calculated upto three decimal places. NAV will be calculated upto 4 decimal places.

D. FEES AND EXPENSES

a. PLACEMENT EXPENSES

These expenses are incurred for the purpose of various activities related to the Placement process. The same may be borne by the AMC.

b. ANNUAL SCHEME RECURRING EXPENSES

These are the fees and expenses for operating the scheme. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, Custodian and Fund Accountant's Fee, Marketing and Selling Costs, legal compliance costs, etc. are as per below-mentioned table:

The AMC has estimated that upto 1.50 % of the daily net assets of the scheme will be charged to the scheme as expenses, depending on the scheme size. For the actual current expenses being charged, the investor should refer to the website of the mutual fund. These expenses are subject to inter-se change and may increase/decrease as per actual and/or any change in the SEBI (MF) regulations, as amended, from time to time.

(% per annum of average daily net assets)
(Rs. in Crore)

Particulars	% of daily Net assets
	Direct Plan
Description	
Investment Management & Advisory Fees	Max. 1.50% divided among these heads.
Marketing and Selling Expenses	
Brokerage and transaction cost	
Registrar services for transfer of units sold or redeemed	
Fees and expenses of trustees	
Audit fees	
Custodian fees	
Costs related to investor communication	
Costs of fund transfer from location to location	
Costs of providing account statements and dividend/ redemption cheques and warrants	
Insurance premium paid by the fund	
Winding up costs for terminating a fund or a scheme	
Cost of statutory advertisements	
Listing fees	
Investor Awareness and Education Initiatives (min. 2bps)	
Such other costs as may be approved by the Board	
Total Annual Recurring Expenses Limit	1.50%



The scheme being floated under the private placement route, is being marketed to limited set of investors by the AMC and thus no distributor services are being used in the marketing of the scheme. The scheme thus would be taking direct investments from the initial investors in the scheme and would qualify under the 'Direct Plan' wherein Distributor's services are not availed and no commission is to be paid to distributors, thus lowering the total expenses of the scheme.

Any expenditure in excess of the limits specified above shall be borne by IAMCL or trustees or sponsors.

Service Tax:

1. Mutual Fund /AMC may charge service tax on investment and advisory fees to the scheme in addition to the maximum limit of total expense ratio ("TER") as prescribed in regulation 52 of the SEBI (MF) Regulations.
2. Service tax on other than investment and advisory fees, if any, shall be borne by the scheme within the maximum limit of TER as per regulation 52 of the SEBI (MF) Regulations.
3. Service tax on brokerage and transaction cost paid for asset purchases, if any, shall be within the limit prescribed under regulation 52 of the SEBI (MF) Regulations.

The mutual fund would update the current expense ratios on the website within two working days mentioning the effective date of the change.

c. TRANSACTION CHARGES

Brokerage and transaction cost incurred for the purpose of execution of trade not applicable.

Any expenditure in excess of the limits specified above shall be borne by IAMCL or trustees or sponsors.

IV. RIGHTS OF UNITHOLDERS

Please refer to SAI for details

V. PENALTIES, PENDING LITIGATIONS OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY

- 1) All disclosures regarding penalties and action(s) taken against foreign Sponsor(s) may be limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the Sponsor(s) are carried out or where the headquarters of the Sponsor(s) is situated. Further, only top 10 monetary penalties during the last three years shall be disclosed.
– NIL
- 2) In case of Indian Sponsor(s), details of all monetary penalties imposed and/ or action taken during the last three years or pending with any financial regulatory body or governmental



authority, against Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to shareholders or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall also be disclosed - NIL.

- 3) Details of all enforcement actions taken by SEBI in the last three years and/ or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/ or suspension and/ or cancellation and/ or imposition of monetary penalty/adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party. The details of the violation shall also be disclosed – NIL.
- 4) Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel are a party would also be disclosed separately. – NIL
- 5) Any deficiency in the systems and operations of the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency, shall be disclosed. - NIL

Note:

- 1) The Private Placement Memorandum containing details of the Scheme approved by the Board of Directors of IIFCL Asset Management Company Limited and the Board of Trustees of IIFCL Mutual Fund (IDF) on 17th March, 2017 and 22nd March, 2017 respectively.
- 2) Notwithstanding anything contained in the Private Placement Memorandum the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the Circulars and Guidelines there under shall be applicable.
- 3) Besides the AMC, the Trustee/ Sponsor may also absorb expenditures in addition to the limits laid down under Regulation 52 of the SEBI (MF) Regulations. Further, any amendment/ clarification and guidelines including in the form of notes or circulars issued from time to time by SEBI for the operation and management of mutual fund shall be applicable.

Date: 23rd March, 2017

Place: New Delhi



#Rating Summary & Disclaimer- CARE

CARE's rating of infrastructure debt schemes are an opinion on the asset selection ability and asset management capabilities in infrastructure sector for these schemes. The rating is based on the stated investment policy, indicative investment strategy and the expected broad portfolio composition provided by AMC.

CARE's infrastructure debt fund rating is not a recommendation to purchase, sell, or hold a security/fund. It neither comments on the current market price, suitability for a particular investor nor on the prospective performance of the fund with respect to appreciation, volatility of net asset value, or yield of the fund. The ratings do not address the funds ability to meet the payment obligation to the investors.

The ratings are based on current information furnished to CARE by the issuer or obtained by CARE from sources it considers reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE does not perform an audit in connection with any rating and may, on occasion, rely on unaudited information. The ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances. Funds rated by CARE have paid a rating fee.

##Rating Summary & Disclaimer- Brickworks

Brickwork Ratings ("BWR") has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.