

DECEMBER 2022

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM  
For private circulation only

Elev8-Capital Fund I

By Elev8-Capital AIF

‘Elev8-Capital AIF’ is registered with SEBI as a Category II Alternative Investment Fund with effect from September 01, 2022

Registration No. IN/AIF2/22-23/1123

Trustee: Beacon Trusteeship Limited

Sponsor(s): Mr. Atul Jain and Venture Catalysts Private Limited

Investment Manager: Elevate Capital Management Services Private Limited

This Memorandum is being furnished to you on a confidential basis for you to consider investing in the Units of Elev8-Capital Fund I, a scheme of Elev8-Capital AIF, established as a trust under the Indian Trusts Act, 1882. This Memorandum shall not be reproduced or provided to others without the prior written permission of the Investment Manager.

The information contained in this Memorandum may not be provided to others who are not directly concerned with your decision regarding the proposed investment. By accepting delivery of this Memorandum, you agree to the foregoing, and to return this Memorandum if you do not invest in the Units of the Fund/Trust, as the case may be. Investors are requested to note that no returns from the Fund/Trust are assured or guaranteed.

Name of Investor: \_\_\_Parag Poddar \_\_\_\_\_  
No. \_\_\_\_\_

Copy

IMPORTANT NOTICE

An investment in 'Elev8-Capital Fund I' is suitable only for sophisticated and/or private investors including fund of funds, government institutions, corporates, public sector undertakings, and private banks, insurance companies, global development financial institutions, multilateral organizations and high net worth individuals, and requires the financial ability and willingness to remain invested for the total tenure of the Fund, to accept the high risks and lack of liquidity inherent in an investment in a Fund of this nature.

No assurance can be given that Fund's investment objective or investment strategy will be achieved. There can be no assurance that the Fund will achieve its target returns or returns comparable to those achieved by the entities with which the Sponsors or the Investment Manager or their Affiliates have been associated.

Elev8-Capital Fund I is close ended with a tenure of 9 (nine) years from the First Closing which is further extendable by up to 2 (two) additional periods of 1 (one) year each with the prior consent of Two-Third Majority of Contributors and in the normal course, no exit option shall be available to the Investors until the end of the Term.

.....

(Signature of the Investor)

Name of the Investor: Parag Poddar \_\_\_\_\_ Name of the Distributor (if applicable):  
\_\_\_\_\_

Date: 18-04-2023 \_\_\_\_\_

Place: Hyderabad \_\_\_\_\_

#### DISCLAIMER

This confidential Memorandum is issued in connection with and relates to an investment in the Units of the Fund. The Trust is registered with SEBI as a Category II AIF under the Regulations. This Memorandum does not constitute an offer or a solicitation of an offer to subscribe to the Units described herein from any Person other than the Person whose name appears on the cover page of this Memorandum. No Person, other than such Person, receiving a copy of this Memorandum, may treat the same as constituting an offer or a solicitation of an offer to subscribe to the Units of the Fund described herein.

By accepting delivery, the Person receiving this Memorandum agrees: (a) to keep the contents hereof strictly confidential and to not disclose the same to any third party, other than professional advisors of such Person, or otherwise use the same for any purpose other than evaluation by such Person of a

potential investment in the Units; (b) not to reproduce this Memorandum in whole or in part; and (c) to return this Memorandum to the Fund if (i) such Person decides not to invest in the Units; or (ii) such Person's proposed investment is not accepted; if this Memorandum is received by an unauthorized Person, such recipient shall not be entitled to request for other related documents or other information. However, such Person shall be bound by the confidentiality terms of this Memorandum.

The information in this Memorandum for the Fund is not exhaustive and may be changed. This Memorandum is not an offer to subscribe to the Units and does not solicit an offer to subscribe to Units in any jurisdiction where the offer or sale is not permitted. An offer or solicitation in respect of the Units in the Fund will be made only through the final form of the Memorandum.

The information in this Memorandum is current as on the date of this Memorandum, and may be supplemented, amended or modified from time to time by any further information in a supplemental information memorandum in which event the information in this Memorandum shall be read as supplemented, amended or modified by such additional information, as the case may be. The supplemental information memorandum shall be provided to the Investors as early as possible (in no case later than 1 month from the end of the financial year) regarding which this Memorandum is supplemented, amended or modified. Neither the delivery of this Memorandum at any time, nor any sale hereafter, shall under any circumstances be construed that the information contained herein is correct as of any time subsequent to the date of this Memorandum.

Investment in the Units will involve significant risks due to, among other things, the nature of the Fund's investments. See 'Section X: Risk Factors' for a discussion of certain risk factors that should be considered by prospective investors. Investors should have the financial ability and willingness to accept the risks arising out of investment in the Fund. Due to the risks involved, investment in the Fund is only suitable for the Investors who are able to bear the loss of a substantial portion or even all of the money they invest in the Fund. The Investors understand the high degree of risk involved, believe that the investment is suitable based upon their investment objectives and financial needs and have no need for liquidity of investments. There will generally be no public market for the Units and they will not, subject to certain conditions as stated in this Memorandum, be freely transferable. The Fund has discretion to list the Units on a stock exchange in India as permissible under the Applicable Law. Even where the Fund lists its Units on a stock exchange, there can be no guarantee that there will be a public market for the Units or the Units will fetch fair value. An investment in the Fund involves significant investment risks, including loss of a prospective investor's entire investment. Please refer to 'SECTION X: RISK FACTORS' for a discussion of certain risk factors that should be considered by prospective investors.

Notwithstanding anything contained in the Fund Documents, the Investment Manager shall continue to be responsible for compliance with the Regulations and other Applicable Laws in relation to the operation and reporting by AIFs. The Investment Manager has taken reasonable care to ensure that the information in this Memorandum is true and accurate in all material respects and that there are no material facts, the omission of which would make any statement in this Memorandum, whether of fact or opinion, misleading. No other representation, warranty or undertaking is given in respect of the information in this Memorandum by the Investment Manager or by any other Person duly authorized

by the Investment Manager and neither the Investment Manager nor any other Person duly authorized by the Investment Manager takes responsibility for the consequences of reliance upon any statement or information contained in, or any omissions from, this Memorandum.

The Investment Manager reserves the right to withdraw or modify this offering at any time prior to the acceptance of subscriptions from Investors. The Investment Manager also reserves the right to close the subscription before the indicated period or amount of capital has been subscribed.

The information on taxation contained in this Memorandum is a summary of certain tax considerations but is not intended to be a complete discussion of all tax considerations. The contents of this Memorandum are not to be construed as investment, legal, or tax advice. Investors should consult their own counsel, accountant or investment advisor as to legal, tax, and related matters concerning their investment. This Memorandum contains a fair summary of the material terms of the aforesaid documents. However, prospective investors should not assume that such summaries are complete. Such summaries are qualified in their entirety by reference to the texts of the aforesaid documents which will be made available by the Fund to prospective investors upon request.

Prospective investors should review the Fund Documents carefully. Nothing in this Memorandum, the information contained in it or any other information supplied in connection with the Fund/Trust (other than the Fund Documents, the terms set out in 'SECTION VII: PRINCIPAL TERMS OF THE FUND' of this Memorandum to the extent incorporated in the Fund Documents by reference, and the confidentiality understanding contained herein) shall form the basis of any contract.

No Person has been authorized in connection with this offering to give any information or make any representations other than as contained in this Memorandum. If given or made, such additional information or representations must not be relied upon as having been authorized. The Units of the Fund are not being offered for sale or subscription to the public, but are being privately placed with a limited number of eligible investors as per the Regulations. Information provided herein has not been approved by SEBI or any other legal or regulatory authority in India, nor has any such regulatory authority passed upon or endorsed the accuracy or adequacy of this Memorandum.

Certain information contained in this Memorandum constitute "forward-looking statements" which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "project," "estimate," "intend," "continue" or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements.

The defined terms used in this Memorandum shall have the meaning as ascribed to them under 'SECTION XV: GLOSSARY' to this Memorandum and terms not defined herein but used in this Memorandum shall have the meaning assigned to them under the Contribution Agreement and the Indenture.

Investors may request additional information in relation to the Fund by writing to the Investment Manager:

Name of the Investment Manager: Elevate Capital Management Services Private Limited  
Name of contact person: Mr. Navin Honagudi  
Communication address: Office No. 203/204, B Wing, Mittal Commercial, Off Andheri Kurla Road, Andheri East, Mumbai 400059, Maharashtra, India.  
Telephone No.: +91 9324579117  
E-mail: [navin@elev8vc.com](mailto:navin@elev8vc.com)

PART - A  
**DIRECTORY**

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**Sponsor(s)**

**Mr. Atul Jain**

*Residential Address:* 702 Arihant, 15<sup>th</sup> Road, TPS 3, Khar Gulnaz CHS Ltd., Plot 613 B, Bandra West, Mumbai – 400050, Maharashtra, India  
Tel: 9820330819  
Email: [atulbjain@gmail.com](mailto:atulbjain@gmail.com)

**Venture Catalysts Private Limited**

*Registered and Communication Address:* Office No. 203/204, B Wing, Mittal Commercial, Off Andheri Kurla Road, Andheri East, Mumbai 400059, Maharashtra, India.  
Tel: 022 28510071  
Email: [accounts@venturecatalysts.in](mailto:accounts@venturecatalysts.in)

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**Investment Manager**

**Elevate Capital Management Services Private Limited**

*Registered and Communication Address:* Office No. 203/204, B Wing, Mittal Commercial, Off Andheri Kurla Road, Andheri East, Mumbai 400059, Maharashtra, India.  
Tel: +91 9324579117  
Email: [navin@elev8vc.com](mailto:navin@elev8vc.com)

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**Trustee Company**

**Beacon Trusteeship Limited**

*Registered and Communication Address:* 4C & D Siddhivinayak Chambers, Gandhi Nagar, Opposite MIG Cricket Club, Bandra (East) Mumbai – 400051

Telephone Number: 022-26558759  
Email: [compliance@beacontrustee.co.in](mailto:compliance@beacontrustee.co.in)

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**Legal Advisor**

**IC Universal Legal, Advocates & Solicitors**

*Address:* 209, Hubtown Solaris, Prof. N.S. Phadke Marg, Andheri (East),  
Mumbai – 400 069, Maharashtra, India

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**Tax Advisor**

**Price Waterhouse & Co LLP**

*Address:* Price Waterhouse & Co LLP, Sucheta Bhawan, 11-A, Vishnu  
Digambar Marg, New Delhi 110 002.

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**Auditor**

*To be appointed prior to the First Closing.*

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**Merchant Banker**

**Fedex Securities Private Limited**

*Address:* B7 Wing, Jay Chambers, Dayaldas Road, Ville Parle (East),  
Mumbai 400 057  
*Tel:* +91 22 2613 6460/61  
*E-mail:* [mb@fedsec.in](mailto:mb@fedsec.in)

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**Custodian**

*To be appointed in accordance with the Regulations.*

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**R&T Agent**

*To be appointed prior to the First Closing.*

**TABLE OF CONTENTS**

<b>SECTION I: EXECUTIVE SUMMARY</b> .....	Error! Bookmark not defined.
<b>SECTION II: MARKET OPPORTUNITY / INDIAN ECONOMY / INDUSTRY OUTLOOK</b> .....	Error! Bookmark not defined.
<b>SECTION III: INVESTMENT OBJECTIVE, STRATEGY AND PROCESSES</b> .....	Error! Bookmark not defined.
<b>SECTION IV: FUND STRUCTURE</b> .....	Error! Bookmark not defined.
<b>SECTION V: GOVERNANCE STRUCTURE</b> .....	Error! Bookmark not defined.
<b>SECTION VI: TRACK RECORD OF INVESTMENT MANAGER</b> .....	Error! Bookmark not defined.
<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> .....	Error! Bookmark not defined.
<b>SECTION VIII: PRINCIPLES OF PORTFOLIO VALUATION</b> ...	Error! Bookmark not defined.
<b>SECTION IX: CONFLICTS OF INTEREST</b> .....	Error! Bookmark not defined.
<b>SECTION X: RISK FACTORS</b> .....	Error! Bookmark not defined.
<b>SECTION XI: LEGAL, REGULATORY AND TAX CONSIDERATIONS</b> .....	Error! Bookmark not defined.
<b>SECTION XII: ILLUSTRATION OF FEES, EXPENSES AND OTHER CHARGES</b> .....	Error! Bookmark not defined.
<b>SECTION XIII: DISTRIBUTION WATERFALL</b> .....	Error! Bookmark not defined.
<b>SECTION XIV: DISCIPLINARY HISTORY</b> .....	Error! Bookmark not defined.
<b>SECTION XV: GLOSSARY</b> .....	Error! Bookmark not defined.
<b>SECTION XVI: SUPPLEMENTARY INFORMATION</b> .....	Error! Bookmark not defined.
<b>SECTION XVII: INVESTOR CHARTER AND COMPLAINTS DATA</b> .....	Error! Bookmark not defined.
<b>ANNEXURE A: Reporting Timelines</b> .....	Error! Bookmark not defined.

## SECTION I: EXECUTIVE SUMMARY

The principal terms of the offering are summarized below. The information in this section is subject to detailed information provided elsewhere in this Memorandum. Investors should read the entire Memorandum carefully before making a decision to invest in the units of the Fund/Trust.

<b>AIF</b>	<p>“Elev8-Capital AIF” (“Trust”) is organised as an irrevocable, contributory determinate trust, settled in India by the Settlor under the provisions of the Indian Trusts Act, 1882, pursuant to an Indenture entered into between the Settlor and the Trustee and registered under the provisions of Registration Act, 1908. Under the Indenture, the Trustee has the right to launch multiple schemes.</p> <p>The Trust is registered with SEBI as a Category II AIF under the</p>
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	Regulations with registration number IN/AIF2/22-23/1123.
<b>SCHEME</b>	<b>Elev8-Capital Fund I</b> is the first scheme of the Trust.
<b>SPONSOR(S)</b>	<b>Mr. Atul Jain</b> and <b>Venture Catalysts Private Limited</b> will act as the sponsors to the Trust and all its Schemes, including the Fund.
<b>INVESTMENT MANAGER</b>	<b>Elevate Capital Management Services Private Limited</b> , a company incorporated under the provisions of Companies Act, 2013 and having its registered office at ccc will act as the investment manager to the Trust and all its Schemes, including the Fund.
<b>AFFILIATE</b>	<p><b>Venture Catalysts Private Limited</b> which is also acting as one of the Sponsor/s of the Fund, may provide the following services to the Investment Manager:</p> <ol style="list-style-type: none"> <li>Support in mentoring Portfolio Entities on growth strategies and strategic plans.</li> <li>Providing deal flow access.</li> <li>Introducing the Investment Manager to key industry participants.</li> </ol>
<b>INVESTMENT OBJECTIVE AND STRATEGY</b>	<p>The objective and purpose of the Fund is to carry on the activity of a Category II Alternative Investment Fund and for this purpose to arrange, make, manage and dispose of investments with the view to achieve long-term capital appreciation for providing returns to the Contributors in accordance with Applicable Laws and the Fund Documents.</p> <p>Please refer to “<b>SECTION III: INVESTMENT OBJECTIVE, STRATEGY AND PROCESS</b>” for further details.</p>
<b>INVESTMENT ALLOCATION</b>	<p>The Fund will be sector agnostic and shall invest in accordance with Applicable Laws and Fund Documents.</p> <p>Details are given under “<b>SECTION III: INVESTMENT OBJECTIVE, STRATEGY AND PROCESS</b>”.</p>
<b>TARGET CORPUS</b>	The target Corpus of the Fund is up to Rs. 990,00,00,000 (Indian Rupees Nine Hundred Ninety Crores) with a green shoe option of up to Rs. 630,00,00,000 (Indian Rupees Six Hundred Thirty Crores) exercisable at the discretion of the Investment Manager.



CLASSES OF UNITS

The Fund shall issue the following Classes of Units:

Class	Description
Class A Units	To Contributors in accordance with the terms of their respective Contribution Agreements.
Class B Units	To the Sponsor/s and/or their affiliates and/or such Eligible Person/s as the Investment Manager may designate, in accordance with the terms of their respective Contribution Agreements.
Class C Units	To the Investment Manager, employees/directors of the Investment Manager and/or employee welfare trust in accordance with the terms of their respective Contribution Agreements.
Class D Units	To the Contributors resident outside India in accordance with the terms of their respective Contribution Agreements.
Class E Units	To Eligible Persons who are strategically important/valuable to the Fund as the Investment Manager may designate and/or Accredited Investor.
Class F Units	To Lead Investors as the Investment Manager may designate.

Class A Units will be divided in to the following Subclasses/series:

Class	Description
Class A1 Units	To Contributors resident in India in accordance with the terms of their respective Contribution Agreements.
Class A2 Units	To Contributors resident outside India in accordance with the terms of their respective Contribution Agreements.

Class B Units shall be divided into the following Subclasses/series:

	<b><i>Class</i></b>	<b><i>Description</i></b>
	Class B1 Units	To the Sponsor/s for Capital Commitment made towards maintaining continuing interest in the Fund in terms of the Regulations.
	Class B2 Units	To the Sponsor/s and/or their affiliates, issued towards Additional Commitment made in accordance with this Memorandum and respective Contribution Agreements.
	Class B3 Units	To feeder funds/pooled vehicles as may be designated by the Investment Manager.
	Class D Units shall be divided into the following Subclasses/series:	
	<b><i>Class</i></b>	<b><i>Description</i></b>
	Class D1 Units	To the Contributors resident outside India, making a minimum Capital commitment of USD 1,000,000 (United States Dollar One Million), in accordance with the terms of their respective Contribution Agreements.
	Class D2 Units	To feeder funds/pooled vehicles as may be designated by the Investment Manager.
	Class E Units shall be divided into the following Subclasses/series:	
	<b><i>Class</i></b>	<b><i>Description</i></b>
	Class E1 Units	To Eligible Persons who are strategically important/valuable to the Fund as the Investment Manager may designate.
	Class E2 Units	To Accredited Investors.
	Please refer to paragraph 3 titled ‘Classes of Units’ and under paragraph 5 titled ‘Minimum Capital Commitment’ under “ <b><i>SECTION VII: PRINCIPAL TERMS OF THE FUND</i></b> ” for further details.	
<b>TERM OF THE FUND</b>	The term of the Fund shall be a period of 9 (nine) years from the First Closing which may be extended by the Investment Manager by up to 2 (two) additional periods of 1 (one) year each with the prior consent of Two-	

	Third Majority of Contributors obtained in accordance with the terms contained in the Contribution Agreements and Applicable Laws.																								
<b>MINIMUM CAPITAL COMMITMENT</b>	<p>Subject to the Regulations, the minimum Capital Commitment from each Contributor shall be as under:</p> <table border="1"> <thead> <tr> <th><i>Class of Units</i></th><th><i>Minimum Capital Commitment</i></th></tr> </thead> <tbody> <tr> <td>Class A1 Units</td><td>Rs. 1,00,00,000 (Indian Rupees One Crore)</td></tr> <tr> <td>Class A2 Units</td><td>Rs. 1,00,00,000 (Indian Rupees One Crore)</td></tr> <tr> <td>Class B1 Units</td><td>2.5% (two and a half percent) of the Corpus or Rs. 5,00,00,000 (Indian Rupees Five Crores), whichever is lower or Rs. 1,00,00,000 (Indian Rupees One Crore), (as applicable)</td></tr> <tr> <td>Class B2 Units</td><td>Rs. 1,00,00,000 (Indian Rupees One Crore)</td></tr> <tr> <td>Class B3 Units</td><td>Rs. 1,00,00,000 (Indian Rupees One Crore)</td></tr> <tr> <td>Class C Units</td><td>Rs. 25,00,000 (Indian Rupees Twenty-Five Lakhs) if such Units are subscribed by the employees and/or directors of the Investment Manager; or Rs. 1,00,00,000 (Indian Rupees One Crore) if such Units are subscribed by the Investment Manager or any other Eligible Person; or 'nil' if such Units are subscribed by employees and/or directors of the Investment Manager for sharing of profits, as applicable.</td></tr> <tr> <td>Class D1 Units</td><td>INR equivalent of USD 1,000,000 (United States Dollar One Million)</td></tr> <tr> <td>Class D2 Units</td><td>Rs 1,00,00,000 (Indian Rupees One Crore)</td></tr> <tr> <td>Class E1 Units</td><td>Rs. 1,00,00,000 (Indian Rupees One Crore)</td></tr> <tr> <td>Class E2 Units</td><td>As the Investment Manager may determine</td></tr> <tr> <td>Class F Units</td><td>INR equivalent of Capital Commitment of at least USD 10,000,000 (United States Dollar Ten Million).</td></tr> </tbody> </table> <p>Details are given under paragraph 3 titled '<i>Classes of Units</i>' and under paragraph 5 titled '<i>Minimum Capital Commitment</i>' under "<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>".</p>	<i>Class of Units</i>	<i>Minimum Capital Commitment</i>	Class A1 Units	Rs. 1,00,00,000 (Indian Rupees One Crore)	Class A2 Units	Rs. 1,00,00,000 (Indian Rupees One Crore)	Class B1 Units	2.5% (two and a half percent) of the Corpus or Rs. 5,00,00,000 (Indian Rupees Five Crores), whichever is lower or Rs. 1,00,00,000 (Indian Rupees One Crore), (as applicable)	Class B2 Units	Rs. 1,00,00,000 (Indian Rupees One Crore)	Class B3 Units	Rs. 1,00,00,000 (Indian Rupees One Crore)	Class C Units	Rs. 25,00,000 (Indian Rupees Twenty-Five Lakhs) if such Units are subscribed by the employees and/or directors of the Investment Manager; or Rs. 1,00,00,000 (Indian Rupees One Crore) if such Units are subscribed by the Investment Manager or any other Eligible Person; or 'nil' if such Units are subscribed by employees and/or directors of the Investment Manager for sharing of profits, as applicable.	Class D1 Units	INR equivalent of USD 1,000,000 (United States Dollar One Million)	Class D2 Units	Rs 1,00,00,000 (Indian Rupees One Crore)	Class E1 Units	Rs. 1,00,00,000 (Indian Rupees One Crore)	Class E2 Units	As the Investment Manager may determine	Class F Units	INR equivalent of Capital Commitment of at least USD 10,000,000 (United States Dollar Ten Million).
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<b>SPONSOR CAPITAL COMMITMENT</b>	The Sponsor/s will commit an aggregate amount equivalent to 2.5% (two and a half percent) of the Corpus or Rs. 5,00,00,000 (Indian Rupees Five Crores), whichever is lower, to maintain a continuing interest in the Fund in																								

	<p>accordance with the Regulations. The Sponsor/s of the Fund shall be issued Class B1 Units towards its contribution to maintain a continuing interest in the Fund. Ko</p> <p>In addition to the aforementioned continuing interest, the Sponsor/s and/or their affiliates may make an Additional Commitment to the Fund. It is hereby clarified that such Additional Commitment will not be subject to any obligations prescribed for the Sponsor/s under the Regulations. The Sponsor/s and/or their affiliates shall be issued Class B2 Units towards such Additional Commitment.</p>
<b>COMMITMENT PERIOD</b>	<p>The Commitment Period for the Fund shall commence from the date of execution of respective Contribution Agreements and shall end on completion of 48 (forty-eight) months from the Final Closing, during which the Capital Commitments can be drawn down upon issuance of Drawdown Notice/s to the Contributors in accordance with this Memorandum and the Contribution Agreements. The Commitment Period may be extended by the Investment Manager in its sole discretion for a further period of up to 12 (twelve) months.</p> <p>Please refer to paragraph 8 titled ‘Commitment Period’ in “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>” for further details.</p>
<b>DRAWDOWN</b>	<p>Subject to the paragraph 13 titled “<i>Excuse and Exclusion</i>” in “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”, the Investment Manager shall issue Drawdown Notice to the Contributors towards payment of Capital Contribution to be utilised to make Fund Investments, pay Fund Expenses (including Management Fee and/or towards discharge of Tax liability if any arising to the Fund), maintain reserves or for such other purpose as mentioned in the Drawdown Notice.</p> <p>Drawdown Notice shall be issued by the Investment Manager to the Contributors on an “<i>as needed</i>” basis.</p> <p>The Contributors shall be required to make their Capital Contribution against their Capital Commitment within 10 (ten) calendar days from the date of the Drawdown Notice. The Drawdown Notice may be sent by the Investment Manager through facsimile, electronic mail, registered post/courier at the address as may be specified by the Contributor in the Contribution Agreement and such Drawdown Notice shall be deemed to have been received by the Contributor within 4 (four) days from the date of dispatch of the registered post/courier; within 24 (twenty four) hours from the electronic mail being sent or upon receiving the confirmation of transmission of the facsimile.</p>
<b>CLOSING</b>	<p><b>First Closing:</b> The First Closing shall be held within 12 (twelve) months from the date of receipt of registration from SEBI for the Trust as a</p>

	<p>Category II AIF, subject to receipt of aggregate Capital Commitments of Rs. 20,00,00,000 (Indian Rupees Twenty Crores) or such other higher amount as decided by the Investment Manager and in accordance with paragraph 10 titled “<i>Closings</i>” in “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p> <p><b>Subsequent Closing:</b> The Investment Manager has the discretion to hold one or more Subsequent Closing(s) and there are no specific timelines for the same. Further, details with respect to additional charges that may be levied or waived in respect of the Contributors coming in the Fund after First Closing are given under paragraph 11 titled “<i>Unitholders participating in Subsequent Closings</i>” in “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p> <p><b>Final Closing:</b> The Final Closing shall be held within 36 (thirty-six) months from the date of First Closing. Provided that the period for holding Final Closing may be extended by 6 (six) months, in accordance with paragraph 10 titled “<i>Closings</i>” in “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p>
<b>MANAGEMENT FEE</b>	<p>The Management Fee shall be charged to holders of Class A1 Units, Class A2 Units, Class D1 Units, Class D2 Units, Class F Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, which will accrue and commence from the First Closing and shall be charged on half yearly basis, in advance.</p> <p>For the purpose of charging the Management Fee, the Investment Manager may either make a drawdown or set aside an amount from the Investment Proceeds attributable to holders of Class A1 Units, Class A2 Units, Class D1 Units, Class D2 Units, Class F Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager. However, to clarify, the Investment Manager in its sole discretion may defer the charge of Management Fee in respect of certain Contributors who have not made a payment of initial Drawdown to the Fund.</p> <p>The Management Fee shall be payable as follows:</p> <ul style="list-style-type: none"> <li>(a) During the Commitment Period: up to 2.5% (two point five percent) p.a. on the aggregate Capital Commitments of the respective Class of Units.</li> <li>(b) Upon expiry of the Commitment Period: up to 2% (two percent) p.a. on the aggregate Capital Contributions of the respective Class of Units <i>less</i> the cost of Fund Investments that have been sold, disposed of, written off or otherwise realized. Provided that any such cost of Fund Investments (that have been sold, disposed of or otherwise realized) shall be considered as part of Capital Contributions to the</li> </ul>

	<p>extent the whole or part thereof is utilised towards making reinvestment by the Fund. Accordingly, any such reinvestment shall be considered as part of Fund Investments.</p> <p>No Management Fee shall be payable with respect to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units and Class E2 Units.</p> <p>Further details have been provided for under paragraph 17 titled “<i>Management Fee</i>” in “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p>
<b>HURDLE RATE OF RETURN</b>	<p>The hurdle rate of return on Class A1 Units, Class A2 Units, Class D2 Units and Class F Units shall be an XIRR based return of 10% (ten percent) (pre-Tax) per annum compounded on an annualized basis in Indian Rupees and with respect to the holders of Class D1 Units shall be an XIRR based return of 6% (six percent) (pre-Tax) per annum compounded on an annualized basis in USD calculated from the later of, (i) date of First Closing, or (ii) date of actual Drawdown, till the date of distributions in accordance with the Fund Documents.</p>
<b>ADDITIONAL RETURN</b>	<p>The Additional Return shall be computed at up to 25% (twenty five percent) in respect of Class A1 Units, Class A2 Units, Class D1 Units, Class D2 Units and Class F Units and shall be charged or waived in accordance with paragraph 25 titled ‘<i>Distributions</i>’ in “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p>
<b>EXPENSES OF THE FUND</b>	<p><b>Set-up Expense:</b> The Investment Manager will charge one-time Set-up Expense at the rate of 2% (two percent) of the Capital Commitment with respect of Class A1 Units, Class A2 Units, Class D1 Units, Class D2 Units, Class F Units and such other Classes/Subclasses of Units as the Investment Manager may determine from time to time.</p> <p>The Set-up Expenses payable to the Investment Manager shall be exclusive of all applicable Taxes (including GST) and levies, if any, leviable on such Set-up Expenses and the same shall be borne by the Fund and allocated to the holders of the holders of Class A1 Units, Class A2 Units, Class D1 Units, Class D2 Units, Class F Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager), as applicable. However, to clarify, the Investment Manager in its sole discretion may defer the charge of Set-up Expense in respect of certain Contributors who have not made a payment of initial Drawdown to the Fund.</p> <p><b>Operating Expenses:</b> The annual operational expenses of the Fund (excluding the Management Fee paid to the Investment Manager, Set-up Expense, any litigation expenses, discharge of any indemnification</p>

	<p>obligations and any other extraordinary and non-recurring expenses, and any expenses directly attributable to sale of the Fund Investments (such as banker's expenses), which shall be charged on actuals to the Fund over and above the Operating Expenses) will be borne by the Fund on actuals subject to a cap of 0.30% p.a. of the aggregate Capital Commitments of all the Classes and allocated to all the holders of Classes of Units.</p> <p>The Operating Expenses shall be exclusive of all applicable Taxes (including GST) and levies, if any, leviable on such Operating Expenses and the same shall be borne by the Fund and allocated to the holders of all Classes of Units.</p> <p>Please refer to paragraph 21 titled '<i>Expenses (including Operating Expenses and Set-up Expense)</i>' under "<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>" and "<b>SECTION XII: ILLUSTRATION OF FEES, EXPENSES AND OTHER CHARGES</b>" of this Memorandum for further details.</p> <p>Please refer to "<b>SECTION XII: ILLUSTRATION OF FEES, EXPENSES AND OTHER CHARGES</b>" of this Memorandum for further details.</p>
<b>DISTRIBUTION</b>	<p>Distribution Proceeds will be concurrently allocated/apportioned to the holders of Class A1 Units, Class A2 Units, Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class D1 Units, Class D2 Units, Class E1 Units, Class E2 Units, Class F Units and any further Classes/ Subclasses (if any) in proportion to their respective Invested Funds.</p> <p>The Distribution Proceeds allocated to the respective Classes/Subclasses will be further allocated within the Classes/Subclasses in proportion to their respective Invested Funds.</p> <p>Distribution Proceeds will be distributed amongst the Contributors in the manner provided for under the headings "Class A1 Distribution Waterfall", "Class A2 Distribution Waterfall", "Class B1 Distribution Waterfall", "Class B2 Distribution Waterfall", "Class B3 Distribution Waterfall", "Class C Distribution Waterfall", "Class D1 Distribution Waterfall", "Class D2 Distribution Waterfall", "Class E1 Distribution Waterfall", "Class E2 Distribution Waterfall" and "Class F Distribution Waterfall".</p> <p>Please refer to paragraph 25 titled "<i>Distributions</i>" under "<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>" of this Memorandum for further details.</p>

## **SECTION II: MARKET OPPORTUNITY / INDIAN ECONOMY / INDUSTRY OUTLOOK**

The information in this section, unless otherwise stated, (1) represents the research results, market views or opinions of the Investment Manager based on available information and current market conditions and (2) is provided as on the date hereof. Information obtained from third parties and other sources have not been independently verified by the Investment Manager. Growth and other numerical data shown does not represent investment returns and should not be used to predict the Fund's return.

### **Views on Indian Economy**

India is expected to be the third largest consumer economy as its consumption may triple to US\$ 4 trillion by 2025, owing to shift in consumer behavior and expenditure pattern, according to a Boston Consulting Group (BCG) report. Further, India is expected to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by 2040. Another important positive factor for India is its large and fast-growing middle class, which is helping to drive consumer spending. Total Indian consumer spending is forecast to grow by 42% between 2020-2025.

India's consumption expenditure is set to double from \$1.6 trillion in 2020 to \$3.2 trillion by 2030, boosted by strong annual GDP growth and rapidly rising per capita income for the country's fast-growing middle-class urban households. GDP growth rates are projected to be 5.6% in India during the period from 2020-2025. During the same period, the average estimates for growth in the accumulated stock of capital are 6.9%. Growth in employment is forecast at 1.6%, and total factor productivity is forecast to improve 2.1% for India.

India has 1.18 billion mobile connections, 700 million internet users, and 600 million smartphones, which are increasing 25 million per quarter. The total active internet population in India is likely to touch 900 million by 2025 from 700 million in 2021. Further, India has the highest mobile data consumption rate at 12 Gigabytes or GB per user a month in the world. India's data consumption is expected to be doubled to nearly 25 GB per person a month by 2025, driven by affordable mobile broadband services and changing video viewing habits. Nine out of 10 active internet users access the internet every day and on average, they spend around 107 minutes (1.8 hours) actively on the internet daily. Small towns account for almost two out of five active internet users while the top 9 metros account to 33 per cent of the active internet users in urban India. Digital payments volume in India is likely to reach 54,800 crores by 2025, a 16X rise over 2020. In value, digital payments are estimated to cross INR 7,000 lakh crores by 2025, a 3.3X rise from INR 2,162 lakh crores in 2020, accounting for ~72% of total payments. New users, all on smartphones, start using mobile internet with free services like email and regional language content, and within weeks leapfrog to ecommerce and digital payments.

The Investment Manager anticipates that the relative labor abundance in India will bring higher capital returns and attract a rising share of global foreign direct investment to India in the next 5 years. India's likely continuation of its recent rapid growth could result in the tripling of India's average household income over the next two decades. If this trend is sustained, India will become the world's fifth-largest consumer economy by 2025.



### SECTION III: INVESTMENT OBJECTIVE, STRATEGY AND PROCESS

PARTICULARS	DETAILS
<i>Investment Objective</i>	The objective and purpose of the Fund is to carry on the activity of a Category II Alternative Investment Fund and for this purpose to arrange, make, manage and dispose of investments with the view to achieve long-term capital appreciation for providing returns to the Contributors in accordance with Applicable Laws and the Fund Documents.
<i>Category of Registration</i>	Elev8-Capital Fund I is the first scheme of Elev8-Capital AIF, which is registered with SEBI as a Category II AIF under the Regulations.

PARAMETERS (IF APPLICABLE)	CATEGORIES (IF ANY)	ALLOCATION AS PERCENTAGE OF INVESTABLE FUNDS (AT THE TIME OF INVESTMENT)
<b>Investment in type of securities</b>	Listed	Up to 49.9% (forty-nine point nine) of the Investable Funds.
	Unlisted	Up to 100% (one hundred percent) of the Investable Funds.
<b>Maximum investment proposed per portfolio company</b>	-	Up to 25% (twenty-five percent) of Investable Funds
<b>Allocation for investment in overseas portfolio companies (if any)</b>	-	Up to 25% (twenty-five percent) of Investable Funds

<b>Sector Allocation (if any)</b>	The Fund shall be sector agnostic.	-
<b>Geographic Allocation (if any)</b>	-	The Fund may invest overseas in accordance with the provisions set out under Regulations.
<b>Any variation to any of the above stated parameters / strategy / allocation</b>	In the event of any change in the aforesaid investment parameters / allocation, the Investment Manager shall provide prior intimation to the Contributors. In the event of any change in the investment strategy, the Fund shall obtain the consent of Two-Third Majority of the Contributors.	

### Investment Strategy

The focus will be to build a concentrated portfolio of 12 to 15 Portfolio Entities across early series B and C stages.

Some of the primary sectors which the Fund will focus on will include the following:

- **SMB Digitisation:** The global business-to-business e-commerce market size is estimated to reach \$20.9 trillion by 2027, expanding at a CAGR of 17.5% during the forecast period. The pandemic has resulted in customers' changing preferences, 66% of B2B decision-makers surveyed now believe self-service is more important to customers than traditional sales interactions. Digitalization of small and medium businesses could add anywhere between \$158-216 billion to India's GDP by 2024. MSMEs currently contribute around 6.11% of India's manufacturing GDP, and 24.63% of the GDP from service activities as well as 33.4% of manufacturing output. From corporates to the government and even startups are focusing on the micro, small and medium enterprises of India. Steps like demonetization, goods and services tax, no foreign direct investment and digital governance continue to encourage the development of the digital economy framework and have aided the booming industry of B2B.
- **SaaS:** India's Software-as-a-Service industry has more than 1,000 registered companies with over 150 companies generating an annual recurring revenue of more than \$1 million. SaaS is intrinsically a scalable and secure business model. Companies are shifting from traditional on-premise solutions to cloud-based applications and are spending more on SaaS subscriptions than any other operations. Indian SaaS start-ups are very well placed to give India a much larger share of the global SaaS market by 2023. With a growing number of world-class founders and strong investor support, Indian SaaS companies are poised to reach \$30 billion in revenue by 2025, capturing an 8% to 9% share of the global SaaS market. In 2021, more than 35 Indian SaaS companies had \$20M+ annual recurring revenue (ARR)—a sevenfold increase over five years—with between seven and nine of these companies reaching the \$100M ARR milestone (versus one to two companies five years ago).

- **Commerce 2.0:** The Indian e-commerce market is expected to grow ~4.3x from \$46.25 billion in 2020 to \$200 billion by 2026. Commerce 2.0 provides the shopper a seamless user experience designed to foster product discoverability while giving the shopper options as to when and how they actually get their products - shop themselves, click-and-collect or home delivery. It has also led to the rise of new business models such as influencer led commerce, group-buying models and video commerce. Much of the growth for the industry has been triggered by an increase in internet and smartphone penetration. The ongoing digital transformation in the country is expected to increase India's total internet user base to 900 million by 2025 from 782 million as of April 2021. This industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest consumer market in the world by 2034. The rise in smartphone usage is expected to increase to 859 million users by 2022. Technology-enabled innovations like digital payments, hyper-local logistics, analytics-driven customer engagement, and digital advertisements will likely support the growth in the sector.
- **Health-Tech:** India's health-tech market is estimated to reach \$21 billion in 2025 on the back of telemedicine and preventive healthcare growth. The preventive healthcare market in India is expected to reach \$170 billion by 2025, driven by fitness apps, and the diagnostics and therapeutics sub-segments. There is large headroom for growth with the healthtech market less than 1% of overall healthcare market. Some of the factors driving this growth include customers readily adopting healthtech, and healthcare workers using more technology, and government promoting telemedicine and creating digital health care backbone through the National Digital Health Mission. The pandemic has offered a shot in the arm to the healthcare industry, specifically health-tech where both big and ground-level innovations are happening and are expected to accelerate in 2022. The pandemic has led to an increased adoption towards online consultation, e-pharmacy, homecare services and e-diagnostics. Even hospitals started redesigning their strategy and increased their focus to acquire patients through online channels. E-pharmacy and B2B healthtech are the two largest segments in the sector and account for about 70% of the overall healthtech market while e-diagnostic and tele-consultation are the fastest-growing sub-segments with 66% and 73% growth respectively.
- **Consumer Products:** The growth in India's consumer market would be primarily driven by a favorable population composition and increasing disposable income. the addressable market size for this industry will be \$100 billion by 2025. India is now home to 800+ D2C brands. Over the past few years, the D2C model has gained traction in India due to the growth in ecommerce penetration, the rise in digital infrastructure, the growing millennial population, an increase in consumer tech awareness, and a growing number of D2C startups and their diverse offerings. However, the much-required push due to the Covid-19 outbreak helped the D2C sector reach a tipping point. A series of lockdowns to contain the pandemic, people's fear of going out (FOGO) and the social distancing mandate have brought about a paradigm shift in consumers' mindset, urging them to opt for digital platforms. Among all the sub-segments in D2C, fashion has the highest growth potential and is estimated to reach \$43.2 Bn by 2025. Apparel and footwear is the most significant fashion category, expected to account for nearly 77.6% of the total online fashion market by 2025.

- Fintech: India is well-positioned to achieve a FinTech sector valuation of USD 150-160 billion by 2025, implying a USD 100 billion in incremental value creation potential. Despite being a vastly diversified and populated country, a huge portion of India remains underbanked, underserved and subject to a constantly changing regulatory environment. And for these very reasons, the nation's financial landscape and unsolved challenges are no easy hurdles to overcome. This is where Fintech enters the equation, with its ability and power to fundamentally alter and transform India's financial and banking services sector.

Due to various factors such as an innovation-driven startup scene, a highly favourable market, enhanced smartphone and internet penetration levels, a young population with the median age in the 20s, and government-led attempts to promote the industry, the country offers a great space for a FinTech revolution. In addition, the growing awareness of financial technology has provided the Indian FinTech industry with a much-needed boost. FinTech companies' growing partnerships with traditional banking, insurance, and retail sectors, where they are actively catering to evolving customer needs, will further accelerate FinTech's expansion in India. All these factors indicate a positive shift towards FinTech and present a huge growth potential for the industry, with the country gearing towards massive adoption.

In addition, to the above sectors, subject to the extent permitted by Applicable Law, the Investment Manager may also evaluate investment opportunities in other sectors, including but not limited to food processing and infrastructure ancillary. The Fund will seek to focus on companies that are benefiting from tailwinds in the sector (i.e., sub sectors growing faster than nominal GDP growth), have an attractive product-market fit that allows them to grow meaningfully faster than market, have a differentiated business model that works (i.e., the revenues have gross margins, the unit economics are coherent and consistent, and the various parts of the business model – such as pricing, product philosophy, sales engine, marketing are internally consistent).

#### Investment Process/Methodology

##### Investment Process

The Investment policy of the Fund is to:

1. Invest in the top performing companies in the market that are leaders in their category, growing rapidly and/or have best in class unit economics;
2. Invest in Portfolio Entities from Series B stage, where the product's market fit has been established and one round of institutional funding has already taken place;
3. The average ticket size would tentatively range from INR 20 Crores to 50 Crores, with a focus on acquiring a minimum shareholding of at least 1% in potential investee companies;
4. The Fund will also seek to negotiate a right to a seat on the board of directors or equivalent in Portfolio Entities to protect the Fund's interest;
5. Such other entities that the Fund is permitted to invest in, in India or other jurisdictions, in accordance with Applicable Laws, if determined fit by the Investment Manager.

The key components of the Investment process include:

- Deal Sourcing - Deals will be mostly sourced through the strategic network of the Investment Manager. The members of the Investment Manager have built a reputation as angel investors, which will help in attracting deals. In the past, members of the investment management team of the Investment Manager have sourced deals in which they have invested in their personal capacity. The investment management team is strongly networked with the following entities, which will help it to source deals:
  - general partners in venture capital funds
  - friends and families of successful entrepreneurs
  - professionals in different private equity funds
  - investment advisors and law firms

The combined platform of the investment management team together with their strong relationships / network, puts the Fund in a very strong position to source and create deals.

- Due Diligence - The investment team will carry out a due diligence process to ensure that the deal meets the investment criteria and policies of the Fund. Depending on the stage of evolution of the pipeline company, the investment team would seek to carry out one or more of the following types of due diligence: business, financial, technical, and legal.
- Deal Structuring - The deal structure is an important part of the investment process as it helps mitigate risks. The Investment Manager would be creative in deal structuring and would rely on the extensive experience of the team of the Investment Manager in structuring such deals.
- Exit Strategy - The Investment Manager will focus on developing exit opportunities for its Portfolio Investments. The Fund will generally invest with an expected holding period of three to seven years. At the time of making the initial investment, due care will be taken by the Investment Manager to factor in the exit strategies for the potential investment. The Investment Manager will look at exit opportunities from a combination of the following options:
  - Strategic sale
  - Sale to financial investors
  - Initial public offerings

## Investment Methodology

The Fund is being formed with the objective to achieve attractive returns from a combination of capital appreciation and current income through long term, private equity investment in Portfolio Companies. The Investment Manager is looking to leverage the prior investing experience of its team.

Key investment criteria:

Management Team: The team will lay significant importance on the quality, experience and trust of the management team of the potential portfolio company. Generally, the team will look for some of the following attributes in a portfolio company's management team:

- Transparent, trust worthy and strong reference of the portfolio company.
- Passionate, knowledgeable and networked in the industry.
- Leadership skills and is supported by a strong team.
- Level of corporate governance.
- Future vision

Business Models: The team will prefer business models based on the following criteria:

- Addressing a definite need with a clear value proposition.
- Targeting a large addressable market.
- Having low capital intensity and high margins.
- Having high barriers to entry and good pricing power.
- Having sustainable long-term growth with clear competitive advantage.

Valuation and Exit: The team will analyze deals from valuation and exit standpoint. For valuation of the Portfolio Investment, the Investment Manager will follow the International Private Equity and Venture Capital Valuation Guidelines, as may be amended from time to time, or such other method of valuation, as maybe determined by the Investment Manager.

Generally, the following methods will be used for screening deals from a valuation and exit standpoint:

- Benchmarking valuations with past and existing deals in a similar segment and stage.
- Structuring investment instruments that will benefit the Investors over the long term.
- Understanding the exit opportunities in the Portfolio Company by conducting channel checks with future potential acquirers and Investors.

## Supplementary Section

### Investment Restrictions

The Fund shall make investments subject to the following restrictions, as well as others as required by SEBI:

- (i) The Fund shall invest 'primarily' in the unlisted securities of Portfolio Entities.
- (ii) The Fund shall not invest more than 25% (twenty-five percent) of its Investable Funds in 1 (one) Portfolio Entity.

- (iii) The Fund shall not borrow funds directly or indirectly or engage in leverage except for meeting temporary funding requirements for not more than 30 (thirty) days, not more than 4 (four) occasions in a year and not more than 10% (ten percent) of the Investable Funds.
- (iv) The Fund shall not invest in Associates except with the approval of Super-Majority of Contributors.
- (v) The Fund will not invest in units of other AIFs.
- (vi) The Fund does not propose to engage in lending activity or extending guarantee for Portfolio Entities.
- (vii)

#### **SECTION IV: FUND STRUCTURE**

The investment structure may graphically be depicted as under:

Important Notice: This organizational diagram is a simplified illustration of the Fund proposed legal structure as of the date hereof and describes in general the manner in which the Fund intends to hold its investments. This organizational diagram is only a generalisation and does not show all of the entities that may comprise the Fund.

##### **The Trust**

‘Elev8-Capital AIF’ is formed in India as an irrevocable, contributory determinate trust set up by the Settlor under the Indian Trusts Act, 1882 and registered in India under the provisions of Registration Act, 1908. The Trust has been registered with SEBI as a Category II AIF as per the Regulations. The Trust will be required to comply with the Applicable Laws.

##### **The Fund**

“Elev8-Capital Fund I” is the first scheme of the Trust. Subject to Applicable Laws, the Fund expects to primarily invest as per the investment philosophy of the Fund as indicated in this Memorandum.

The Fund will seek contributions from Investors, in the manner and on the terms laid down under the Contribution Agreements entered into with the Contributors.

##### **The Trustee**

Beacon Trusteeship Limited, a company incorporated under the Companies Act, 2013, having its registered office at 4C & D Siddhivinayak Chambers, Gandhi Nagar, Opposite MIG Cricket Club, Bandra (East), Mumbai – 400051 is appointed as Trustee to the Trust and its Schemes, including the Fund. The Trustee delegates its power to the Investment Manager under the Investment Management Agreement.

For further details about the Trustee, please see “SECTION V: GOVERNANCE STRUCTURE”.

#### Investment Manager

‘Elevate Capital Management Services Private Limited’, will act as investment manager to the Trust and all its schemes, including the Fund.

The Investment Manager has entered into an Investment Management Agreement with the Trustee in terms of which it will manage and administer the investment activity of the Trust and the Fund in accordance with the powers delegated by the Trustee and in accordance with the Applicable Laws. The Investment Manager will be responsible for the investment program of the Fund.

The Investment Manager will be allotted Class C Units in the Fund, as applicable.

#### Sponsor(s)

Mr. Atul Jain and Venture Catalysts Private Limited will act as the sponsors to the Fund. The Sponsor/s will collectively commit an aggregate amount equivalent to 2.5% (two and a half percent) of the Corpus or Rs. 5,00,00,000 (Indian Rupees Five Crores), whichever is lower, to maintain a continuing interest in the Fund in accordance with the Regulations.

The Sponsor/s will be allotted Class B1 Units in the Fund towards their contribution to maintain a continuing interest in the Fund.

#### Registrar to an Issue and Share Transfer Agent (“RTA”)

The Fund has appointed Computer Age Management Services Limited as the RTA for collection of stamp duty levied on issue, transfer and sale of Units of the Fund.

#### Targeted Investors

Target Investors of the Fund are institutional investors, family offices, high net worth individuals, corporates, financial institutions, banks, insurance companies, foreign investors, alternative investment funds, Accredited Investors and other permissible investors.

## **SECTION V: GOVERNANCE STRUCTURE**

### **A. Sponsor(s)**

#### **a. Name:**



The Sponsor(s) of the Fund are Mr. Atul Jain and Venture Catalysts Private Limited.

**b. Role:**

The Sponsor/s will commit an amount equivalent to 2.5% (two and half percent) of the Corpus or Rs. 5,00,00,000 (Indian Rupees Five Crore), whichever is lower, as continuing interest in the Fund in accordance with the Regulations. Notwithstanding anything to the contrary, the Sponsor/s shall always maintain the abovementioned continuing interest and take requisite steps/measures to comply with the same. Further, the Sponsor/s shall be responsible for all the activities and obligations as detailed under Regulations.

**c. Name of the Sponsor/Directors of the Sponsor(s)**

- (a) Mr. Atul Jain
- (b) Venture Catalysts Private Limited

The directors of Venture Catalysts Private Limited are as follows:

- 1. Dr. Apoorv Ranjan Sharma
- 2. Mr. Atul Jain
- 3. Mr. Rishabh Golchha

**d. Brief profile of the Sponsor/Directors of the Sponsor/s**

Mr. Atul Jain:

Mr. Atul Jain is a visionary leader & successful entrepreneur with businesses across real estate, retail & jewellery. He is the Chairman of Samyakth Group, a conglomerate of businesses in the emerging fields such as Venture Capital, FMCG Retail, NBFC and Wealth Management & Advisory.

Mr. Atul Jain has successfully diversified group business in real estate by building a premium realty brand - Samyakth Realty, a trusted & prestigious brand with presence at most sought locations in Mumbai. His earlier stint was Chanvim Plastics, it became a reputed manufacturer of plastic moulding based out of Gujarat. Recently, his focus has been to expand family business across new verticals, he is Director at Samyakth Capital, a hybrid growth fund focusing on investments in emerging & alternative asset class. He is playing an instrumental role in building Rapid Retail, establishing a chain of physical stores across India, his vision has pulled in large FMCG clients like Patanjali at Rapid Retail. He has successfully established businesses in Tier II, III cities in India as well, by starting CreditWise Capital - an NBFC for two wheeler financing across villages of Maharashtra & Gujarat.

Mr. Atul Jain is a commerce graduate by qualification. He studied B.Com at Mithibai College of Arts & Commerce - one of the prestigious institutes located in the state of Maharashtra. Beyond actively running businesses himself, he invests & mentors startup founders. Some of his key investments include - Beardo (acquired by Marico), SIFTR (acquired by APUS), Ideal Insurance & many more.

A brief profile of the Directors of Venture Catalysts Private Limited has been provided below:

**1. Dr. Apoorv Ranjan Sharma**

Dr. Apoorv R. Sharma is co-founder & president of Venture Catalysts Private Limited - Asia's first integrated incubator. He has been associated with the startup ecosystem in India since early 2000. Since then, he has been instrumental in establishing over a dozen incubators / accelerators in India. Before founding Venture Catalysts Private Limited, he has played a vital role in establishing and nurturing incubators / accelerators / incubation funds and family office funds like VentureNursery, Amity Innovation Incubator, Somaiya Incubator (RIDDLE), Mata Vaishno Devi University Incubator, Indian Angel Network Incubator, JSS Incubator. He has been awarded the prestigious Best Incubator Award by President of India for outstanding performance of JSS Technology Business Incubator.

Dr. Apoorv has wide experience in curating, incubating and mentoring more than 100 startups in varied sectors. He is also known for generating good returns and generating exit opportunities for investors by raising the next round of investments for the incubated startups. Some very successful startups like OYO Rooms, Beardo, PeeSafe, Coutlout, Innov8, SUPR, Fynd etc have been curated, mentored and seed sourced by Dr. Apoorv.

Dr. Apoorv has been rated as one of the top 10 angel investors in India by VCCircle in 2016. Recently, Venture Catalysts has been rated as the top most Accelerator in terms of number of investments for the year 2017 by leading national media.

Today, Dr. Apoorv Sharma has become one of the most influential figures in Indian startup funding space. His leadership & passion has motivated thousands of new investors, especially from Tier II and Tier III cities to take a plunge into startup investments.

He is a PhD in Incubation from Amity University, Noida and is an engineering graduate from HBTI, Kanpur. He also holds a diploma in Mentor Studies from Berkley Institute of Management, University of California, USA. Dr. Apoorv also serves TiE Mumbai Board.

**2. Mr. Atul Jain**

Kindly refer to point A(d) above for a brief profile.

**3. Mr. Rishabh Golchha**

Rishabh Golchha is a Director & Founding Member at Venture Catalysts, India's first integrated incubator. He is also the co-founder of Samyakth Finserv, a hybrid growth fund with a focus on investing in healthy cash cow businesses, venture debt and emerging technology. Besides, he is also a second generation at his family businesses which includes real estate development and equity broking, trading, and portfolio management. An engineer and an MBA by qualification from NMIMS, Rishabh has keen interests in sports, adventure and travel.

## **B. Trustee**

### **a. Name:**

Beacon Trusteeship Limited, a company incorporated under the provisions of Companies Act, 2013 and having its registered office at 4C & D Siddhivinayak Chambers, Gandhi Nagar, Opposite MIG Cricket Club, Bandra (East), Mumbai – 400051, will act as a trustee of the Trust.

### **b. Role:**

The Trustee is appointed to manage the Trust Fund of the Trust in accordance with the Indenture. The Trustee has appointed the Investment Manager and delegated its functions of managing and administering the Trust Fund in accordance with the Investment Management Agreement. The Trustee shall ensure that the Investment Manager, in terms of the Investment Management Agreement, shall submit the reports to SEBI as may be required under the Regulation. The Trustee shall be responsible for such other duties as specified under the Indenture. The Investment Manager and Trustee of the Fund shall ensure compliance by the Fund with the code of conduct as specified under the Regulations.

### **c. Names of the directors:**

The names of the directors of the Trustee are as follows:

1. Mr. Pratapsingh Nathani – Chairman and Managing Director
2. Mr. Ashok Kumar Motwani – Director
3. Mr. Satishchandra Kalani – Independent Director
4. Mr. Vitthal Nawandhar – Director & CEO
5. Mr. Satpal Kumar Arora – Independent Director
6. Mr. Sanjay Sinha – Additional Director

### **d. Brief profile of directors:**

1. Mr. Pratapsingh Nathani – Chairman and Managing Director

Pratap has over 20 (Twenty) years of experience in the banking and financial services sector where he was associated with various organizations such as Centrum, Enam, Darashaw, Morgan Stanley, JM Financial to name a few. His last stint at ING Vysya from 2008 to 2015 saw him setting up and heading the debt capital markets and loan syndication businesses.

2. Mr. Ashok Kumar Motwani – Director

With over 30 (Thirty) years of experience in diverse areas such as investment and corporate banking, project advisory, structured finance, debt syndication, Mr. Motwani is well versed with the trusteeship business. Known to have been one of the pillars during the formation of IDBI Trusteeship Services, he brings along with him his experience and deep passion for banking & financial services. His leadership and management skills are a boon to the team. He has served as the CGM, IDBI Bank before taking a premature retirement to join the Trustee. Before this he has also been with managing director & chief executive officer of IDBI Trusteeship Services and managing director & chief executive officer of Stock Holding Corporation of India Limited. Additionally, he has also worked with Asset Reconstruction Company of India and Small Industries Development Bank of India.

3. Mr. Satishchandra Kalani – Independent Director

In a career spanning 35 years, Mr. Kalani has worked with reputed companies like Dawn Mills, Elphinstone Mills, Reliance Industries, Ambalal Sarabhai Enterprises and Tata Chemicals. His last stint was with Tata Chemicals as VP-Taxation where he developed impeccable knowledge in corporate taxation. He has remained a trustee in many trusts of Tata Chemicals & is also a trustee in Keshav Shrushti.

4. Mr. Vitthal Nawandhar – Director & CEO

A qualified chartered accountant, Mr. Vitthal Nawandhar has over a decade of experience in the financial market including 8 years of core trusteeship business. Mr. Nawandhar is one of the founders of the Trustee as also its CEO. He comes with cross-functional experience in business development, compliance, operations, accounts, auditing and taxation in diversified industries. He has a rich experience by working with firms like NSDL, Axis Trustee and IDBI Trusteeship. His last stint was with GDA Trusteeship where he was the business head for Mumbai and his responsibilities included managing the overall business development and establishing the company's name in the market.

5. Mr. Satpal Kumar Arora – Independent Director

Mr. Arora had joined as a probationary officer at a nationalized bank and then joined IFCI Limited as a company secretary. He was also the managing director at IFCI Venture Capital Funds Limited and executive director at IFCI Limited. He retired as a managing director at Tourism Finance Corporation of India Limited and currently serves as an independent director on several company boards. He has expertise in project, credit appraisal, monitoring, negotiating terms and legal aspects, recovery & legal process, sale and purchase and assignment of non-performing assets, insolvency laws and related procedure.

Mr. Arora is a highly qualified individual and holds several degrees including M.Com from Delhi University, Certified Associate of Indian Institute of Bankers (CAIIB), diploma in labour laws, company secretaryship from Institute of Company Secretaries of India,

Bachelors in law from University of Delhi and an insolvency professional with the Insolvency and Bankruptcy Board of India.

6. Mr. Sanjay Sinha - Additional Director

Mr. Sinha is a professional banker with more than 35 years of experience in areas as diverse as credit granting and administration, debt resolutions, FX transaction execution with hedging solutions, trusteeship services for loans, debt securities and other asset classes, agency services, Compliance Management, Policy Formulations, Human Resources and Management. He is a Post Graduate in Investment Banking from IIM Indore.

e. List of responsibilities retained by the Trustee under the Indenture:

- i. The Trustee has, within a reasonable time from the date of execution of the Indenture, enter into the Investment Management Agreement pursuant to which the Trustee has delegated any and all of its powers and responsibilities under the Indenture to the Investment Manager, and authorise the Investment Manager to undertake any and all of its powers and responsibilities under the Indenture, subject to the provisions of the Indenture, the Fund Documents and the Applicable Laws.
- ii. The Trustee shall at all times exercise due diligence in carrying out its duties of protecting the interests of the Contributors and act in the best interest of the Contributors and endeavour to promote the interests of the Trust.
- iii. The Trustee may review and check whether all transactions entered into by the Investment Manager, for an on behalf of the Trust, are properly entered into in accordance with the Fund Documents and Applicable Laws.
- iv. The Trustee shall hold the Trust Fund in the name of the Trust for and on behalf of the Trust.
- v. The Trustee shall ensure that the books of accounts of the Trust and each of its Schemes are maintained in accordance with the Indenture.
- vi. The Trustee shall ensure that reports are filed as may be demanded by all relevant statutory/regulatory authorities, including without limitation SEBI, from time to time with regard to the activities carried on by the Trust and its Schemes or as may be required under Applicable Laws.
- vii. The Trustee shall ensure that the Trust Fund is kept segregated from all other assets of the Trustee. Further, the assets and liabilities of each Scheme shall at all times be segregated from the assets and liabilities of other Schemes and the assets and liabilities of the Trust.

Role of Trustee in ensuring the regulatory compliance requirement:

- i. The Trustee shall either itself or through the Investment Manager file reports with SEBI and other relevant statutory/regulatory authorities as per the timelines specified in the Applicable Laws.
- ii. The Trustee shall ensure that the Investment Manager provides to the Contributors, all reports enumerated in the Fund Documents and as required under Applicable Laws.

- iii. The Trustee will cause the Investment Manager to submit to them the quarterly reports, providing all information carried out by the Investment Manager for and on behalf of the Fund.
- f. List of responsibilities of the Trustee, delegated to Investment Manager as per the Indenture:

The Investment Manager shall be delegated the power of the Trustee and be made responsible by the Trustee under the Investment Management Agreement, to undertake all the operational and management decisions and actions for the Schemes including but not limited to investment of funds, divestment, administration, realisation of return on investment, legal proceedings, addressing queries or complaints or grievances of Contributors and any other issues or show cause notice issued by SEBI or any other regulatory body, make necessary filings with SEBI or any other regulator, comply with the duties and obligations provided in the Contribution Agreements with the Contributors.

### **C. Investment Manager**

#### **a. Name:**

Elevate Capital Management Services Private Limited, and having its registered office at Office No. 203/204, B Wing, Mittal Commercial, Off Andheri Kurla Road, Andheri East, Mumbai 400059, Maharashtra, India, will act as the investment manager to the Trust and all its Schemes, including the Fund.

#### **b. Role:**

The Investment Manager has entered into an Investment Management Agreement with the Trustee in terms of which it will manage the affairs of the Trust and the Fund in accordance with the powers delegated by the Trustee and in accordance with the Applicable Laws. The Investment Manager will also be responsible for the investment program of the Fund. The Investment Manager and Trustee of the Fund shall ensure compliance by the Fund with the code of conduct as specified under the Regulations. The Investment Manager shall be responsible for every decision of the Fund, including ensuring that the decisions are in compliance with the provisions of the Regulations, terms of Fund Documents (including any internal policies and procedures laid down for the Fund) and Applicable Laws.

#### **c. Names of the directors:**

1. Mr. Navin Honagudi
2. Dr. Apoorv Ranjan Sharma
3. Mr. Atul Jain

#### **d. Brief profile of the directors:**

1. Mr. Navin Honagudi:

Mr. Navin Honagudi has over 15 years of experience investing in Technology enabled businesses. He was the co-founder and Partner at Kae Capital, a premier VC fund, started in 2012. Navin has helped raise over \$250 Mn across 5 funds at Kae. He led the Growth

investing initiative at Kae and has invested in path breaking companies like Brightchamps, Rupeek etc under this platform. Navin has evaluated over 5000 tech companies across sectors. He has invested in over 30 tech companies where he has served on the boards as a Director/Observer. Some of them including Resfeber Labs, Loantap, Snapmint, Loanzen, BSB etc. Investments led by Navin have returned several times the fund. Investments led in companies like Porter have returned over 100x on the seed cheque. He has actively managed boards with top tier VC firms like Sequoia, Accel, Tiger, Lightrock, Kalaari, etc. Navin has also been involved in several exits of his portfolio companies including, Halaplay acquired by Nazara, Dailyrounds acquired by M3, Loanzen acquired by Blackbuck, Numberz acquired by Chargebee, Truebil acquired by Spinny, Eventifier acquired by Bookmyshow etc. Navin also serves on board of prestigious incubators across the countries like Center of Incubation and Business Acceleration, Goa etc. He is a prolific angel investor and has invested in companies like Tradecred, Reshmandi, Jify, Plaza, Zippmat, One Impression etc besides mentoring over 100 tech companies. Prior to joining Kae Capital Management Private Limited, he was working with Reliance Venture Asset Management (RVAM). Navin led an investment in PayTM which returned over 50x. As an exception he was double promoted during his tenor. He has served on the boards of Tessolve Services and Dhama Innovations as well as board observer on Reverse Logistics, Suvidhaa Infoserve and Wellspring. As part of the core investment team the role involved the entire life cycle of the investment process including deal origination, due diligence, market research and finalizing the deal. The role also involved analysis on technology focused companies, performing detailed sector / market analysis, technology evaluation & in-depth financial analysis of potential investee companies. Prior to RVAM, he was working with Darashaw and Company Private Limited (DCPL) in the investment banking division. While at DCPL, he was involved in end-to-end execution of mandates for public offers, private placement, loan syndication, etc. for private and state-owned entities. He holds a degree in Bachelor of Engineering from VJTI, Mumbai and a masters in management studies and engineering from Mumbai University.

## 2. Dr. Apoorv Ranjan Sharma:

Dr. Apoorv R. Sharma is co-founder & president of Venture Catalysts Private Limited - Asia's first integrated incubator. He has been associated with the startup ecosystem in India since early 2000. Since then, he has been instrumental in establishing over a dozen incubators / accelerators in India. Before founding Venture Catalysts Private Limited, he has played vital role in establishing and nurturing incubators / accelerators / incubation funds and family office funds like VentureNursery, Amity Innovation Incubator, Somaiya Incubator (RIDDLE), Mata Vaishno Devi University Incubator, Indian Angel Network Incubator, JSS Incubator. He has been awarded the prestigious Best Incubator Award by President of India for outstanding performance of JSS Technology Business Incubator.

Dr. Apoorv has wide experience in curating, incubating and mentoring more than 100 startups in varied sectors. He is also known for generating good returns and generating exit opportunities for investors by raising next round of investments for the incubated startups. Some very successful startups like OYO Rooms, Beardo, PeeSafe, Coutloot, Innov8, SUPR, Fynd etc have been curated, mentored and seed sourced by Dr. Apoorv.

Dr Apoorv has been rated as one of the top 10 angel investors in India by VCCircle in

2016. Recently, Venture Catalysts has been rated as the top most Accelerator in terms of number of investments for the year 2017 by leading national media.

Today, Dr. Apoorv Sharma has become one of the most influential figure in Indian startup funding space. His leadership & passion has motivated thousands of new investors, especially from Tier II and Tier III cities to take a plunge into startup investments.

He is a PhD in Incubation from Amity University, Noida and is an engineering graduate from HBTI, Kanpur. He also holds a diploma in Mentor Studies from Berkley Institute of Management, University of California, USA. Dr. Apoorv also serves TiE Mumbai Board.

3. Mr. Atul Jain:

Mr. Atul Jain is a visionary leader & successful entrepreneur with businesses across real estate, retail & jewellery. He is the Chairman of Samyakth Group, a conglomerate of businesses in the emerging fields such as Venture Capital, FMCG Retail, NBFC and Wealth Management & Advisory.

Mr. Atul Jain has successfully diversified group business in real estate by building a premium realty brand - Samyakth Realty, a trusted & prestigious brand with presence at most sought locations in Mumbai. His earlier stint was Chanvim Plastics, it became a reputed manufacturer of plastic moulding based out of Gujarat. Recently, his focus has been to expand family business across new verticals, he is Director at Samyakth Capital, a hybrid growth fund focusing on investments in emerging & alternative asset class. He is playing an instrumental role in building Rapid Retail, establishing a chain of physical stores across India, his vision has pulled in large FMCG clients like Patanjali at Rapid Retail. He has successfully established businesses in Tier II, III cities in India as well, by starting CreditWise Capital - an NBFC for two wheeler financing across villages of Maharashtra & Gujarat.

Mr. Atul Jain is a commerce graduate by qualification. He studied B.Com at Mithibai College of Arts & Commerce - one of the prestigious institutes located in the state of Maharashtra. Beyond actively running businesses himself, he invests & mentors startup founders. Some of his key investments include - Beardo (acquired by Marico), SIFTR (acquired by APUS), Ideal Insurance & many more.

e. List of responsibilities assigned to the Investment Manager under the Investment Management Agreement

The functions and duties of the Investment Manager will inter alia include the following:

- carrying out appraisal and due diligence of any Portfolio Companies and investment proposals;
- taking decisions as to investment, divestment and distribution of the monies of the Contribution Fund;
- issuing Drawdown Notices to the Investors for Drawdown of the Capital Commitments;
- issuing Statement of Accounts to the Contributors;



- issuing different Classes/Subclasses of Units under each Scheme;
- assisting in conducting meetings of the committee constituted in connection with the Fund;
- recording any transfers of Units of the Contributors;
- issuance, making distributions or redemption of any Units;
- exercising all due diligence and vigilance in carrying out its duties and in protecting the rights and interest of each Contributor;
- opening and operating bank account/s for the operation of Fund with any bank/intermediary; and
- to do all such acts, deeds as may be required to perform with respect to the Fund.

List of responsibilities of the Investment Manager delegated to another person under any arrangement, along with details of the said person

The Investment Manager may outsource or delegate its non-core business activities to other person subject to compliance with SEBI circular CIR/MIRSD/24/2011 dated December 15, 2011 on 'Guidelines on Outsourcing of Activities by Intermediaries'.

#### **D. Key investment team**

##### **a) Description of the role of the management team in the operations of the Fund:**

The key investment team of the Investment Manager are directors/employees of the Investment Manager. The key investment team of the Fund shall be responsible for managing the investment and divestment of the Contribution Fund and carry out all the other activities incidental thereto including appraisal of investment opportunities and monitoring the Portfolio Entities of the Fund.

##### **b) List out the names and brief biography of each member of the investment team (including nature of relationship between management team members and the Fund/Scheme) in the following format:**

###### **o Name of investment team member:**

###### **1. Mr. Navin Honagudi**

<b>Name of the Organization</b>	<b>Designation</b>	<b>Period</b>	<b>Work Profile</b>
<b>Elevate Capital Management Services Private Limited</b>	Director	June 2022 onwards	Navin will be responsible for building the investment strategy of the investment manager entity and fund/s managed by it, portfolio creation strategy of the trusts/schemes managed by the Investment Manager, deal sourcing network with investment banks, accelerators, incubators and peer GPs, adding value to the Companies

			including debt partnerships, creating timely exits & building the team for the platform, fund raising from global investors and managing investor relations & founder relations & undertake all activities to successfully execute strategies of the trusts/schemes managed by the Investment Manager.
<b>Kae Capital</b>	Co-founder and Partner	January 2012 to April 2022	He was the co-founder and Partner at Kae Capital, a premier VC fund. Navin led several investments for Kae in Ecommerce, Logistics, Fintech, Consumer and B2B sectors and served on the boards of companies like Resfeber Labs, Loantap, Snapmint, Loanzen, BSB etc.
<b>Reliance Ventures Asset Management</b>	Senior Associate	April 2008 to Dec 2011	He led an investment in PayTM which returned over 50x. As an exception he was double promoted during his tenor.
<b>Darashaw Capital</b>	Associate	June 2006 to March 2007	While at DCPL, he was involved in end to end execution of mandates for public offers, private placement, loan syndication, etc. for private and state-owned entities

## 2. Mr. Anuj Golecha

<b>Name of the Organization</b>	<b>Designation</b>	<b>Period</b>	<b>Work Profile</b>
<b>Elevate Capital Management Services Private Limited</b>	Director	June 2022 onwards	Anuj will be responsible for building the investment strategy of the investment manager entity and fund/s managed by it, portfolio creation strategy of the trusts/schemes managed by the Investment Manager, deal sourcing network with investment banks, accelerators, incubators and peer GPs, adding value to the Companies including debt partnerships, creating timely exits & building the team for the platform, fund raising from global investors and managing investor relations & founder relations & undertake all activities to successfully

			execute strategies of the trusts/schemes managed by the Investment Manager.
<b>Beams VC Partnerz LLP</b>	As a nominee of the partner - Multimedia Finsec Private Limited	September 2021- Present	Anuj is responsible for building the investment strategy of the investment manager entity and fund/s managed by it, portfolio creation strategy of the trusts/schemes managed by the Investment Manager, deal sourcing network with investment banks, accelerators, incubators and peer General Partners, adding value to the Companies including debt partnerships, creating timely exits & building the team for the platform, fund raising from global investors and managing investor relations & founder relations & undertake all activities to successfully execute strategies of the trusts/schemes managed by the Investment Manager.
<b>Venture Catalysts Accelerator LLP</b>	As a nominee of the partner - Multimedia Finsec Private Limited	2018 -Present	<p>He currently is a part of investment committee of 9Unicorns Accelerator Fund - I, which is a scheme of 9Unicorns Accelerator Fund registered with SEBI as a venture capital fund as one of the sub-categories of Category I AIF having registration no. IN/AIF1/18-19/0663. His role involves providing advice to the Investment Manager on the investments to be made by the 9Unicorns Fund.</p> <p>He is also a part of the investment committee of Venture Catalysts Angel Growth Fund wherein his role is to provide advice on investments to be made by the Fund.</p>
<b>Venture Catalysts</b>	Co-Founder	2016 – Present	He is instrumental in the asset management function, formulation and implementation of investment strategy and overall direction of the business. He is also instrumental in fund raising and managing investor relations.

- Qualification of each investment team member

<b>S. No.</b>	<b>Name of the member</b>	<b>Qualification</b>
1)	Mr. Navin Honagudi	Bachelor of engineering from VJTI, Mumbai. Masters in Management studies and Engineering from Mumbai University.
2)	Mr. Anuj Golecha	Chartered Accountant, ICAI.

- Any additional members of the management team of the Fund.

Not applicable.

- c) Involvement of the key investment team members in advising and/or managing any other funds (state no. of funds) (separately for registered with SEBI or otherwise)

<b>Name of the members</b>	<b>Name of the Fund</b>	<b>Role performed</b>
Mr. Navin Honagudi	Name of the scheme: Kae Capital Fund  Name of the fund under which above schemes are launched: Kae Capital Fund	Member of Investment Committee
	Name of the scheme: KAE CAPITAL FUND IIA-SCHEME Name of the fund under which above schemes are launched:  Kae Capital Fund II	Member of Investment Committee
	Name of the scheme: Kae Capital Fund III  Name of the fund under which above schemes are launched: Kae Capital Fund III	Member of Investment Committee
Mr. Anuj Golecha	Name of the scheme: ZNL Growth Fund Scheme 1  Name of the fund under which above schemes are launched:	Advisor

	ZNL Growth Fund	
	Name of the scheme: Beams Fintech Fund 1  Name of the fund under which above schemes are launched: Beams Fintech Fund	Member of Key Investment Team
	Name of the scheme: 9Unicorns Accelerator Fund -I  Name of the fund under which above schemes are launched: 9Unicorns Accelerator Fund	Executive Member of Investment Committee

The team of the Investment Manager may devote a part of its time to other activities (including any additional fund vehicles). The team of the Investment Manager will only devote so much of their time to the Fund's affairs as is, in their judgment, reasonably required. The team members in addition to their responsibilities for the Fund will have responsibilities for other funds, projects and clients. Accordingly, allocating management time and other resources among the Fund and such other funds, projects and clients can be a challenge.

For more details, kindly refer to "SECTION X: RISK FACTORS" of this Memorandum.

- E)** Key persons of the Fund (other than at point D above), and details of the same (such as industry experts, research analyst, entities involved in deal sourcing, etc.).

The Fund currently does not have any additional members of management team of the Fund.

**F) Investment Committee**

- Role of the Investment Committee:

The Investment Manager may constitute an investment committee ("Investment Committee") in accordance with the terms of this Memorandum, Investment Management Agreement and the Contribution Agreement/s. The Investment Committee will abide by the Code of Conduct as laid down under the Regulations. The role of the Investment Committee would be to provide final and binding advice to the Investment Manager on investment proposals referred to it by the Investment Manager and in accordance with the Regulations including Regulation 20(7) and Regulation 20(10) thereof.

- Decision making process:

The quorum for any meeting of Investment Committee shall be a minimum of 2 (two) members present in-person or by way of teleconference, videoconference or any other electronic mode. The decisions of the Investment Committee would be taken on the basis of unanimous consent of the members present at the meeting of the Investment Committee in case the number of members present at the meeting are 2 (two) persons. However, in the event where the number of members present at the meeting are more than 2 (two), the decisions of the Investment Committee shall be taken on the basis of majority consent of the members present at the meeting of the Investment Committee.

- Manner of appointment and size and constitution of the Investment Committee:

The members of the Investment Committee shall be appointed by the Investment Manager. As the Fund commences activities, additional member/s may be appointed by the Investment Manager on the Investment Committee. The Investment Committee shall at all times comprise of a minimum of 2 (two) members. The Investment Manager shall have the power to re-constitute the Investment Committee from time to time. Notwithstanding anything contained in this Memorandum, the Investment Manager may make any modification in the constitution/terms of the Investment Committee at any point of time. If the Investment Committee is not formed, its functions shall be undertaken by Investment Manager.

Initially, the Investment Committee shall comprise of the following members:

**1. Mr. Navin Honagudi**

Kindly refer to the brief profile provided at point (D) herein above.

**2. Mr. Anuj Golecha**

Kindly refer to the brief profile provided at point (D) herein above.

**3. Mr. Apoorv R Sharma**

Kindly refer to the brief profile provided at point (C) herein above.

- Involvement of any member in advising/managing any other fund:

The members of the Investment Committee will only devote so much of their time to the Fund's affairs as is, in their judgment, reasonably required. The members of the Investment Committee, in addition to their responsibilities for the Fund, may have responsibilities for other funds, projects and clients.

For more details, kindly refer to "SECTION X: RISK FACTORS" of this Memorandum.

- Fees if any, to be paid or reimbursement of expenses. Please specify whether the Fund or the Investment Manager shall bear the expense.

The members of Investment Committee will be paid a reasonable amount as a fee which will be paid by the Investment Manager and shall not be charged to the Fund.

#### **G) Advisory Board**

The Fund currently does not intend to have an advisory board.

#### **H) Advisory Committee**

- Role of the Advisory Committee:

The Investment Manager shall constitute an Advisory Committee comprising of minimum 2 (two) representatives of the Contributors chosen by the Investment Manager in accordance with the criteria prescribed in the Fund Documents. The Advisory Committee shall provide recommendations on matters of conflict of interest as maybe referred to it by the Investment Manager.

- Meetings and Decision making:

The quorum for any meeting of Advisory Committee shall be a minimum of 2 (two) members present in-person or by way of teleconference, videoconference or any other electronic mode. The decisions of the Advisory Committee would be taken on the basis of a simple majority vote of the members present at the meeting of the Advisory Committee. At each meeting of the Advisory Committee, the members attending the meeting will elect one amongst them as chairman of the meeting. In case of a deadlock where no majority is there on any particular decision, the chairman of the Committee shall have a casting vote on such decision.

- Manner of appointment and size and constitution of the Advisory Committee:

The members of the Advisory Committee shall be appointed by the Investment Manager based on the criteria determined by the Investment Manager under the Fund Documents.

- Involvement of any member in advising/managing any other fund:

Not Applicable.

For more details, kindly refer to SECTION X: RISK FACTORS of this Memorandum

- Fees if any, to be paid or reimbursement of expenses. Please specify whether the Fund or the Investment Manager shall bear the expense.

The members of Advisory Committee will be paid a reasonable amount as a fee which will be paid by the Investment Manager and shall not be charged to the Fund.

**I) Operating partners, portfolio company advisor or such other bodies**

The Fund currently does not have operating partners, portfolio company advisor or such other bodies.

**J) Notwithstanding any information/ statements given above, the ultimate responsibility with regard to the continuous compliance of the Fund with all applicable SEBI Regulations and Circulars, etc. shall be vested with the Investment Manager.**

**K) The adherence to the PPM shall be audited on an annual basis by an independent auditor and the findings of the same shall be placed before the Investment Manager, Trustee and also submitted with SEBI. In case of any adverse findings, the corrective steps taken shall also be submitted.**

**Supplementary Section**

**KEY MANAGEMENT PERSONNEL**

In accordance with paragraph 3.2 of SEBI circular dated June 25, 2021 titled 'Circular on Amendment to SEBI (Alternative Investment Funds) Regulations, 2012', the details of the key management personnel of the Fund and the Investment Manager are as follows:

<b>Sr. No.</b>	<b>Name of the members</b>	<b>Designation</b>	<b>Role performed</b>
1.	Mr. Navin Honagudi	Director	Key team member
2.	Mr. Anuj Golecha	Director	Key team member

**SECTION VI: TRACK RECORD OF INVESTMENT MANAGER**

**I. Type of Investment Manager:**

'Elevate Capital Management Services Private Limited', a company incorporated under the provisions of the Companies Act, 2013 and having its registered office at Office No. 203/204, B Wing, Mittal Commercial, Off Andheri Kurla Road, Andheri East, Mumbai 400059, Maharashtra, India, will act as the investment manager to the Trust and all its Schemes, including the Fund. The Investment Manager is a first-time manager and does not have prior experience in fund management.

**II. Track Record of the Investment Manager:**



The Investment Manager does not have prior experience in fund management and is relying on the experience of the members of the key investment team. Please refer to section D under “SECTION V: GOVERNANCE STRUCTURE, for a brief profile of the key investment team of the Investment Manager.

**A.** Disclaimer:

The disclosures in relation to the performance track record of the individual members of the team indicated under “SECTION V: GOVERNANCE STRUCTURE” above, may be selective in nature and may not necessarily be representative of the expected performance of the Investment Manager and/or the team in relation to the management and operation of this Fund. Further, data included in respect of the specific deals, may not truly represent the performance of a fund as a whole. Investors are requested to use their own independent assessment and judgement while attributing the credit of the past track record to the team.

**B.** Risk Factor:

The Investment Manager shall manage the assets of the Fund/Trust and will consider its investments and divestments exclusively. The Investment Manager has no operating track record. Therefore, judgments of the Investment Manager’s expected performance cannot be extrapolated from the past performance of the Investment Manager and/or the key investment team. Please refer to detailed risk factors under “SECTION X: RISK FACTORS” of this Memorandum.

## **SECTION VII: PRINCIPAL TERMS OF THE FUND**

This is a description of the principal terms (“Principal Terms of the Fund”) pertaining to Elev8-Capital Fund I. This section provides the principal terms of Fund, which may be provided in detail elsewhere in this Memorandum. The terms hereof are subject to modification or withdrawal prior to First Closing and/or Subsequent Closings

1.	SIZE OF THE FUND	<p>The target Corpus of the Fund is up to Rs. 990,00,00,000 (Indian Rupees Nine Hundred Ninety Crores) with a green shoe option of up to Rs. 630,00,00,000 (Indian Rupees Six Hundred Thirty Crores) exercisable at the discretion of the Investment Manager.</p> <p>Total Fund corpus is up to Rs. 1,620,00,00,000 (Indian Rupees One Thousand Six Hundred Twenty Crores) (including the green shoe option).</p> <p>The Investment Manager may, in its discretion, increase or decrease the size of the Fund in compliance with the Regulations.</p>												
2.	TARGET INVESTORS	<p>Target Investors of the Fund are institutional investors, family offices, high net worth individuals, corporates, financial institutions, banks, insurance companies, foreign investors, alternative investment funds, Accredited Investors and other permissible investors.</p> <p><i>Eligibility Criteria:</i> For the purpose of subscribing to the Units of the Fund, a Person must fulfil the Eligible Person criteria. Further, please refer to paragraph 3 on ‘Classes of Units’ and paragraph 5 on ‘Minimum Capital Commitment’ under this “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p>												
3.	CLASSES OF UNITS	<p>The Fund shall issue the following Classes of Units:</p> <table><tr><th>Class</th><th>Description</th></tr><tr><td>Class A Units</td><td>To Contributors in accordance with the terms of their respective Contribution Agreements.</td></tr><tr><td>Class B Units</td><td>To the Sponsor/s and/or their affiliates and/or such Eligible Person/s as the Investment Manager may designate, in accordance with the terms of their respective Contribution Agreements.</td></tr><tr><td>Class C Units</td><td>To the Investment Manager, employees/directors of the Investment Manager and/or employee welfare trust in accordance with the terms of their respective Contribution Agreements.</td></tr><tr><td>Class D Units</td><td>To the Contributors resident outside India in accordance with the terms of their respective Contribution Agreements.</td></tr><tr><td>Class E Units</td><td>To Eligible Persons who are strategically important/valuable to the Fund as the Investment</td></tr></table>	Class	Description	Class A Units	To Contributors in accordance with the terms of their respective Contribution Agreements.	Class B Units	To the Sponsor/s and/or their affiliates and/or such Eligible Person/s as the Investment Manager may designate, in accordance with the terms of their respective Contribution Agreements.	Class C Units	To the Investment Manager, employees/directors of the Investment Manager and/or employee welfare trust in accordance with the terms of their respective Contribution Agreements.	Class D Units	To the Contributors resident outside India in accordance with the terms of their respective Contribution Agreements.	Class E Units	To Eligible Persons who are strategically important/valuable to the Fund as the Investment
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			Manager may designate and/or Accredited Investors.
		Class F Units	To Lead Investors as the Investment Manager may designate.
		Class A Units will be divided in to the following Sub-classes/series:	
		<b><i>Class</i></b>	<b><i>Description</i></b>
		Class A1 Units	To Contributors resident in India in accordance with the terms of their respective Contribution Agreements.
		Class A2 Units	To Contributors resident outside India in accordance with the terms of their respective Contribution Agreements.
		Class B Units shall be divided into the following Subclasses/series:	
		<b><i>Class</i></b>	<b><i>Description</i></b>
		Class B1 Units	To the Sponsor/s for Capital Commitment made towards maintaining continuing interest in the Fund in terms of the Regulations.
		Class B2 Units	To the Sponsor/s and/or their affiliates, issued towards Additional Commitment made in accordance with this Memorandum and respective Contribution Agreements.
		Class B3 Units	To feeder funds/pooled vehicles as may be designated by the Investment Manager.
		Class D Units shall be divided into the following Subclasses/series:	
		<b><i>Class</i></b>	<b><i>Description</i></b>
		Class D1 Units	To the Contributors resident outside India, making a minimum Capital commitment of USD 1,000,000 (United States Dollar One Million), in accordance with the terms of their respective Contribution Agreements.

		<table><tr><td>Class D2 Units</td><td>To feeder funds/pooled vehicles as may be designated by the Investment Manager.</td></tr></table>	Class D2 Units	To feeder funds/pooled vehicles as may be designated by the Investment Manager.				
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		<p>Class E Units shall be divided into the following Subclasses/series:</p> <table><tr><th>Class</th><th>Description</th></tr><tr><td>Class E1 Units</td><td>To Eligible Persons who are strategically important/valuable to the Fund as the Investment Manager may designate.</td></tr><tr><td>Class E2 Units</td><td>To Accredited Investors.</td></tr></table>	Class	Description	Class E1 Units	To Eligible Persons who are strategically important/valuable to the Fund as the Investment Manager may designate.	Class E2 Units	To Accredited Investors.
Class	Description							
Class E1 Units	To Eligible Persons who are strategically important/valuable to the Fund as the Investment Manager may designate.							
Class E2 Units	To Accredited Investors.							
		<p>The Fund shall issue fully or partly paid-up Units in accordance with the Fund Documents. It is clarified that Units may include a fraction of a Unit evidencing Beneficial Interest in the Fund of a value less than the face value of the respective class of Units.</p> <p>Subject to the Regulations, the Investment Manager may at its sole discretion issue additional Class/es or Subclass/es/series of Units from time to time, which may <i>inter alia</i> have differential rights, variable fee/charge structure, different hurdle rate of return, face value, currency denomination etc. The Investment Manager shall have the right to designate/re-designate any Class/Subclass to another Class/Subclass. All existing and future Class/es and/or Subclass/es of Units shall participate in the common investment portfolio of the Fund except in case of a Defaulting Contributor or an Excused Contributor.</p> <p>The Investment Manager’s decision to classify / reclassify the Investors under any of the Class/Subclass shall be final and binding on all the Investors. Any Tax implications arising from re-designation or reclassification of Units shall be borne by the respective Contributor and in no case shall be borne by the Fund and/or the Investment Manager.</p> <p>The economic and special rights attached to the Class/es of the Fund are as provided for under this Memorandum. Further, please refer to paragraph 39 under the term ‘<i>Side Letters</i>’ under this “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”. Any special rights attached to any Classes of Units issued by the Fund shall not have any adverse impact on the economic rights or any other rights of other Investors.</p>						

4.	LIST OF INDICATIVE TIMELINES FOR THE FUND	<p>List of indicative timelines for the Fund are as follows:</p> <p>a) First Closing: Kindly refer to paragraph 10 under the term ‘<i>Closings</i>’ under this “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p> <p>b) Subsequent Closing: Kindly refer to paragraph 10 under the term ‘<i>Closings</i>’ under this “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p> <p>c) Final Closing: Kindly refer to paragraph 10 under the term ‘<i>Closings</i>’ under this “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p> <p>d) Commitment Period: Kindly refer to paragraph 8 under the term ‘<i>Commitment Period</i>’ under this “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p> <p>e) Term of the Fund: Kindly refer to paragraph 7 under the term ‘<i>Term of the Fund and Termination</i>’ under this “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p>														
5.	MINIMUM CAPITAL COMMITMENT	<p>Subject to the Regulations, the minimum Capital Commitment from each Contributor shall be as under:</p> <table><tr><th><i>Class of Units</i></th><th><i>Minimum Capital Commitment</i></th></tr><tr><td>Class A1 Units</td><td>Rs. 1,00,00,000 (Indian Rupees One Crore)</td></tr><tr><td>Class A2 Units</td><td>Rs. 1,00,00,000 (Indian Rupees One Crore)</td></tr><tr><td>Class B1 Units</td><td>2.5% (two and a half percent) of the Corpus or Rs. 5,00,00,000 (Indian Rupees Five Crores), whichever is lower or Rs. 1,00,00,000 (Indian Rupees One Crore) (as applicable).</td></tr><tr><td>Class B2 Units</td><td>Rs. 1,00,00,000 (Indian Rupees One Crore)</td></tr><tr><td>Class B3 Units</td><td>Rs. 1,00,00,000 (Indian Rupees One Crore)</td></tr><tr><td>Class C Units</td><td>Rs. 25,00,000 (Indian Rupees Twenty-Five Lakhs) if such Units are subscribed by the employees and/or directors of the Investment Manager; or Rs. 1,00,00,000 (Indian Rupees One Crore) if such Units are subscribed by the Investment Manager</td></tr></table>	<i>Class of Units</i>	<i>Minimum Capital Commitment</i>	Class A1 Units	Rs. 1,00,00,000 (Indian Rupees One Crore)	Class A2 Units	Rs. 1,00,00,000 (Indian Rupees One Crore)	Class B1 Units	2.5% (two and a half percent) of the Corpus or Rs. 5,00,00,000 (Indian Rupees Five Crores), whichever is lower or Rs. 1,00,00,000 (Indian Rupees One Crore) (as applicable).	Class B2 Units	Rs. 1,00,00,000 (Indian Rupees One Crore)	Class B3 Units	Rs. 1,00,00,000 (Indian Rupees One Crore)	Class C Units	Rs. 25,00,000 (Indian Rupees Twenty-Five Lakhs) if such Units are subscribed by the employees and/or directors of the Investment Manager; or Rs. 1,00,00,000 (Indian Rupees One Crore) if such Units are subscribed by the Investment Manager
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			or any other Eligible Person; or 'nil' if such Units are subscribed by employees and/or directors of the Investment Manager for sharing of profits, as applicable.
		Class D1 Units	INR equivalent of USD 1,000,000 (United States Dollar One Million)
		Class D2 Units	Rs 1,00,00,000 (Indian Rupees One Crore)
		Class E1 Units	Rs. 1,00,00,000 (Indian Rupees One Crore)
		Class E2 Units	As the Investment Manager may determine.
		Class F Units	INR equivalent of Capital Commitment of at least USD 10,000,000 (United States Dollar Ten Million).
		<p>However, the Investment Manager may at its discretion prescribe any amount as minimum Capital Commitment from each Contributor, subject to the Regulations.</p> <p>The following can act as joint Investors (maximum up to 2 (two)) wherein each such Investor contributes, and the aggregate sum invested by joint Investors collectively is at least Rs. 1,00,00,000 (Indian Rupees One Crore):</p> <ol style="list-style-type: none"> <li>a Contributor and his/her spouse who is also an Eligible Person,</li> <li>a Contributor and his/her parent who is also an Eligible Person,</li> <li>a Contributor and his/her daughter/son who is also an Eligible Person.</li> </ol>	

		Without prejudice to the above, in case of any other Investors acting as joint Investors, for every Investor, the minimum investment of Rs. 1,00,00,000 (Indian Rupees One Crore) or any other minimum amount as provided in the Regulations, shall apply.
6.	<b>SPONSORS' CAPITAL COMMITMENT</b>	<p>The Sponsor/s will commit an aggregate amount equivalent to 2.5% (two and a half percent) of the Corpus or Rs. 5,00,00,000 (Indian Rupees Five Crores), whichever is lower, to maintain a continuing interest in the Fund in accordance with the Regulations. Notwithstanding anything to the contrary, the Sponsor/s shall always maintain the abovementioned continuing interest and take requisite steps/measures to comply with the same. The Sponsor/s of the Fund shall be issued Class B1 Units, towards their contribution to maintain a continuing interest in the Fund.</p> <p>In addition to the aforementioned continuing interest, the Sponsor/s and/or their affiliates may make an additional Capital Commitment to the Fund ("<b>Additional Commitment</b>"). It is hereby clarified that such Additional Commitment will not be subject to any obligations prescribed for the Sponsor/s under the Regulations. The Sponsor/s and/or their affiliates shall be issued Class B2 Units towards such Additional Commitment.</p>
7.	<b>TERM OF THE FUND AND TERMINATION</b>	<p><b><u>Term:</u></b> The term of the Fund shall be a period of 9 (nine) years from the First Closing which may be extended by the Investment Manager by up to 2 (two) additional periods of 1 (one) year each with the prior consent of Two-Third Majority of Contributors obtained in accordance with the terms contained in the Contribution Agreements and Applicable Laws ("<b>Term</b>").</p> <p><b><u>Termination:</u></b> The Trust shall terminate in accordance with the terms of the Indenture and Applicable Laws.</p> <p>Without prejudice to the above, the Fund shall terminate on expiry of the Term of the Fund/ Trust (as applicable).</p> <p>Without prejudice to the above, the Investment Manager, may subject to the restrictions contained in the Applicable Laws, at any time before the expiry of the Term, terminate the Fund upon:</p> <ul style="list-style-type: none"> <li>• the Fund exiting from all Fund Investments and distributing the Distribution Proceeds to the Contributors (as applicable); or</li> <li>• if the Trustee (in consultation with the Investment Manager) determines that the Fund be wound up in the interest of the Contributors; or</li> <li>• if the Trust is wound up in accordance with the terms of the Indenture; or</li> <li>• Super-Majority of the Contributors in the Fund pass a resolution at a meeting of Contributors that the Fund be wound up; or</li> </ul>

		<ul style="list-style-type: none"> <li>• SEBI so directs in the interest of the Contributors.</li> </ul> <p>The Trustee, through the Investment Manager, shall intimate SEBI and the Contributors of the circumstances leading to the winding up of the Fund.</p> <p>Notwithstanding the termination of the Fund, the Contributors shall continue to remain liable to the following extent:</p> <ul style="list-style-type: none"> <li>• The Fund will continue for such period of time as may be necessary to liquidate existing Fund Investments in an orderly manner (subject to a maximum period of 1 (one) year from the aforesaid date of intimation to the Contributors);</li> <li>• Capital Commitments will not be extinguished to the extent necessary to pay the Fund Expenses including all Tax liabilities; and</li> <li>• The Management Fee, fees payable to Trustee and other fees/costs will continue to be payable as per provisions of the Fund Documents until the Fund terminates and is dissolved.</li> </ul> <p>Once the Fund liquidates, the proceeds accruing to the Contributors shall be distributed to them after satisfying all liabilities of the Fund in accordance with paragraph 25 titled ‘<i>Distributions</i>’ under this <b>“SECTION VII: PRINCIPAL TERMS OF THE FUND”</b>.</p> <p>To achieve effective winding up of the Trust/Fund, the Investment Manager shall:</p> <ul style="list-style-type: none"> <li>• take all practical steps to sell all the non-cash assets of the Fund/Trust;</li> <li>• shall commence arrangements to pay all the liabilities including Tax liabilities of the Trust/Fund including but not limited to the Fund Expenses;</li> <li>• return to the extent of the available cash in the Contribution Fund, all outstanding interests in the Fund/Trust in accordance with the terms contained in the Fund Documents; and</li> <li>• any other action as may be provided under the Indenture.</li> </ul> <p>The Investment Manager may, subject to obtaining approval from Super-Majority of Contributors, make distributions <i>in specie</i> of the investments which may not have been liquidated at the end of the Term to the Contributors, in accordance with the terms set out under paragraph 26 on ‘<i>Distribution in-kind</i>’ under <b>“SECTION VII: PRINCIPAL TERMS OF THE FUND”</b>.</p>
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8.	<b>COMMITMENT PERIOD</b>	<p>Commitment Period means the period within which the Contributors are required to make Capital Contributions upon issuance of Drawdown Notice/s to the Contributors, in accordance with the respective Contribution Agreement and will include extensions thereto, if any.</p> <p>The Commitment Period for the Fund shall commence from the date of execution of respective Contribution Agreements and shall end on completion of 48 (forty-eight) months from the Final Closing, during which the Capital Commitments can be drawn down upon issuance of Drawdown Notice/s to the Contributors in accordance with this Memorandum and the Contribution Agreements. The Commitment Period may be extended by the Investment Manager in its sole discretion for a further period of up to 12 (twelve) months.</p> <p>At the end of the Commitment Period, the Contributor shall be released from the obligation of making any further Capital Contribution against its undrawn Capital Commitment (not consisting of amount, towards which Drawdown Notice has been issued but payment not received from the Contributor and therefore the Contributor shall continue to be liable to pay the same even post the Commitment Period) except: (i) to the extent necessary to complete investments in progress as of the end of the Commitment Period (including such investments in respect of which the Fund has entered into a term-sheet or agreement on or before the end of the Commitment Period); (ii) to the extent necessary to cover the ongoing expenses and liabilities of the Fund, including, but not limited to, the Management Fee, Tax liability, fees payable to Trustee and any indemnification obligations; (iii) to enable any Follow-on Investments by the Fund; (iv) to enable the exercise of warrants and similar equity equivalents in relation to existing Fund Investments; and (v) to create reserves for the above items from (i) to (iv) as deemed appropriate by the Investment Manager.</p>
9.	<b>WAREHOUSED INVESTMENTS</b>	<p>In the event the Investment Manager identifies any investment opportunities with respect to potential Portfolio Entities and decides to make an investment in such Portfolio Entities (“<b>Warehoused Investments</b>”), the Investment Manager may either itself and/or through such Persons identified by the Investment Manager or through the Sponsor/s (“<b>Warehousing Entity/Individual</b>”), make investments in such Portfolio Entities.</p> <p>Warehoused Investments may be made at any point prior to the Final Closing.</p> <p>The transfer of the Warehoused Investments from the Warehousing Entity/ Individual to the Fund shall be made before expiry of 6 (six) months from the Final Closing.</p>

		<p>The said transfer of Warehoused Investments shall be made at the fair market value or such other higher value as determined by the Investment Manager. Further any expenses related to Warehoused Investments shall be charged to the Fund on transfer of such investments to the Fund.</p> <p>Prior to the signing of the Contribution Agreement, the Contributor will be made aware of the size and sector/ business of the Warehoused Investment and the name of the investee entity will be disclosed post signing of the Contribution Agreement. In case a Warehoused Investment is made post signing of the Contribution Agreement, then the information regarding such Warehoused Investment shall be disclosed to the Contributor within 15 (fifteen) days from the consummation of the Warehoused Investment by the Warehousing Entity.</p> <p>Depending on the quantum of the relevant Closing of the Fund, only part of the Warehoused Investment/s may be transferred to the Fund (if required to comply with diversification criteria prescribed under Regulations). In the aforesaid scenario, the remaining Warehoused Investment/s will be transferred in Subsequent Closing/s in compliance with the Regulations.</p> <p>Refer to risk factor ‘Associate Party Transactions’ under paragraph C (1) titled “<i>Risks associated with the nature of the portfolio investments</i>” in “<b>SECTION X: RISK FACTORS</b>”.</p>
10.	<b>CLOSINGS</b>	<p>The first closing of the Fund shall be held within 12 (twelve) months from the date of receipt of registration from SEBI for the Trust as a Category II AIF, subject to the receipt of aggregate Capital Commitments of at least Rs. 20,00,00,000 (Indian Rupees Twenty Crores) or any other higher amount as decided by the Investment Manager in accordance with the Regulations (“<b>First Closing</b>”).</p> <p>The Investment Manager has the discretion to hold one or more other Closing(s) subsequent to the First Closing but not later than the Final Closing, i.e., the Subsequent Closings. For the terms on which the Investor shall be onboarded on Subsequent Closings, please refer to below paragraph 11 titled ‘<i>Unitholders Participating in Subsequent Closings</i>’ under this “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p> <p>Final closing of the Fund means the last of the Closings permitted by the Investment Manager for accepting Capital Commitments to the Fund in accordance with the terms of the Fund Documents (“<b>Final Closing</b>”). The Final Closing shall be held within 36 (thirty-six) months from the date of First Closing. The Investment Manager may extend the Final Closing by 6 (six) months at its sole discretion.</p> <p>It is clarified that any soft Capital Commitment letter/s or such other</p>

		document (as may be agreed between Contributor and Investment Manager) executed by the Contributor prior to a Closing shall form part of that Closing.
11.	<b>UNITHOLDERS PARTICIPATING IN SUBSEQUENT CLOSINGS</b>	<p>Contributors admitted to the Fund (or increasing their Capital Commitments to the Fund) after the First Closing will, upon admission (or increase), be required to contribute to the Fund, as applicable: (i) the aggregate amount each would have had to contribute to the Fund through the Subsequent Closing had such Contributor been admitted to the Fund at the First Closing (the “<b>Catch-up Contribution</b>”), <i>plus</i> (ii) at the rate of upto 12% per annum or such other amount as may be determined by the Investment Manager (the “<b>Compensatory Contribution</b>”), <i>plus</i> (iii) an additional contribution as determined by the Investment Manager (“<b>Management Fees Additional Contribution</b>”) in respect of the Management Fees, <i>less</i>; (iv) their proportionate share of all distributions (if any) made to Contributors admitted in prior Closings.</p> <p>The Fund Expenses shall be payable/ applicable with retrospective effect from the First Closing.</p> <p>The Investment Manager shall however have the power to waive or increase or reduce, on a case-to-case basis, the Compensatory Contribution and the Management Fees Additional Contribution.</p> <p>Any amount paid as Management Fees Additional Contribution will be paid to the Investment Manager.</p> <p>Catch-up Contributions pursuant to the Capital Commitment received by the Fund in such Subsequent Closing or Final Closing (excluding the Compensatory Contribution) may be retained as part of the Contribution Fund to be utilized towards Fund Investments or satisfaction of Fund Expenses (including Tax liabilities and any reserves towards Fund Expenses), provided any amount not so retained shall be immediately distributed amongst all the Contributors in proportion to their respective Capital Contribution and such amounts distributed to the Contributors shall be subject to recall by the Fund.</p> <p>The Compensatory Contribution applicable to such incoming Contributor (i) will not be applied to the subscription of Units in respect of such Contributor; (ii) will not be treated as a Capital Contribution to the Fund in respect of such Contributor; and (iii) will not reduce such Contributor’s Capital Commitment. The Compensatory Contribution collected in connection with a Subsequent Closing or Final Closing shall be distributed amongst the Contributors of the Fund admitted prior to such Subsequent Closing or Final Closing (as applicable) requiring the payment of such Compensatory Contribution, which distribution may be effected either by a <i>pro rata</i> refund or set off against their respective</p>

		<p>undrawn Capital Commitments or in any other way as determined by the Investment Manager.</p> <p>It is clarified that any Tax liability on the payment of Compensatory Contribution shall be borne solely by the relevant Contributors.</p>
12.	<b>DRAWDOWNS</b>	<p>Subject to paragraph 13 titled ‘<i>Excuse and Exclusion</i>’ below, the Investment Manager shall issue Drawdown Notice/s to the Contributors towards payment of Capital Contribution to be utilised to make Fund Investments, pay Fund Expenses (including Management Fee and/or discharge of Tax liability if any arising to the Fund), maintain reserves or for such other purpose as mentioned in the Drawdown Notice .</p> <p>Drawdown Notice/s shall be issued by the Investment Manager to the Contributors on an “<i>as needed</i>” basis. Notwithstanding anything stated hereinabove, the Investment Manager may require the Contributors to contribute the entire Capital Commitment upfront at the time of execution of the Contribution Agreements.</p> <p>Capital Contribution/s pursuant to Drawdown Notice/s will be for an amount <i>pro rata</i> to the Capital Commitments of the Contributors of the Fund or as otherwise provided by the Investment Manager with respect to certain Contributors.</p> <p>The Contributors shall be required to make their Capital Contribution against their Capital Commitment within 10 (ten) calendar days from the date of the Drawdown Notice.</p> <p>The Drawdown Notice may be sent by the Investment Manager through facsimile, electronic mail, registered post/courier at the address as may be specified by the Contributor in the Contribution Agreement and such Drawdown Notice shall be deemed to have been received by the Contributor within 4 (four) days from the date of dispatch of the registered post/courier; within 24 (twenty four) hours from the electronic mail being sent or upon receiving the confirmation of transmission of the facsimile.</p> <p>At the end of the Commitment Period, the Contributors may be issued Drawdown Notice for the purposes as provided above under paragraph 8 titled ‘<i>Commitment Period</i>’ under “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p> <p>Amounts received from the Contributors towards their Capital Commitment will be treated by the Fund as consideration for the issue of Units to the Contributors. For the avoidance of doubt, fractional Units may be issued to Contributor if so required.</p>

13.	<b>EXCUSE AND EXCLUSION</b>	<p>The Investment Manager may excuse any Contributor (“<b>Excused Contributor</b>”) from making (or utilizing such Excused Contributor’s) Capital Contribution towards any proposed Fund Investment by the Fund if the Contributor by virtue of a legal/regulatory requirement or pursuant to its constitutive or governance charters has informed the Investment Manager in writing of its inability or limitation to participate in certain types of investments by the Fund, at the time of execution of the Contribution Agreement. Any changes to the requirements that have been disclosed by the Contributors at the time of execution of the Contribution Agreement shall be intimated to the Investment Manager within 21 (twenty-one) calendar days of such change being internally approved by the Contributor.</p> <p>In the event that one or more Contributors are excluded from participating in an investment, the Investment Manager may, either elect to have the Fund not make the investment or elect to have the Fund make the investment without the participation of such Excused Contributor. In the event the Excused Contributor exercises to not participate with respect to any Portfolio Investment in accordance with its Contribution Agreement, such Contributor shall have zero allocation in such Portfolio Investment (or the portion of the Portfolio Investment in which it does not participate) and will not be entitled to receive any distribution of proceeds in respect of such Portfolio Investment (or the relevant portion of the Portfolio Investment). Accordingly, the allocation of such Excused Contributor in other Portfolio Investments will correspondingly increase. It is clarified that the Excused Contributor’s unpaid Capital Commitment will not reduce due to such excusal. For the avoidance of doubt, the Management Fee and Fund Expenses payable by, such Excused Contributor after it is excused from participating in a Portfolio Investment will be calculated based on such Contributor’s original Capital Commitment.</p> <p>The Investment Manager may issue to the non-excused Contributors, new calls for further Capital Contributions to the extent of their respective unpaid Capital Commitment to cover excused or excluded amounts.</p>
14.	<b>INDEMNIFICATION</b>	<p>The Fund will indemnify the (i) Investment Manager, Sponsor/s, Settlor, Trustee and any of its respective officers, partners, directors, employees and agents, (ii) members of the investment committee, advisory committee, and any other board or committee of the Investment Manager contemplated in the Fund Documents or any other party as may be decided by the Investment Manager in consultation with the members of such board or committee (“<b>Indemnified Persons</b>”) against any and all claims, losses, liabilities including Tax liabilities, costs, damages, expenses including legal fees, fee payable towards availing tax advisory services, if any, and amounts paid as settlement claim incurred by them by</p>

		<p>reason of their association with the Fund (“<b>Losses</b>”) except to the extent such Losses resulted from the Indemnified Person’s Malfeasance.</p> <p>The Investment Manager may have the Fund purchase, at the Fund’s expense (as part of Operating Expenses), insurance to cover the Investment Manager, Sponsor/s and/or any other Indemnified Persons against any liability arising by reason of their association with the Fund.</p> <p>Refer to paragraph D (9) titled ‘<i>Risk associated with indemnity and Tax obligation of the Investors to parties to the Fund</i>’ under “<b>SECTION X: RISK FACTORS</b>”.</p>
15.	<b>DEFAULTING CONTRIBUTORS</b>	<p>Payment of Capital Contributions when due is of essence, and any default by a Contributor in the payment thereof would cause injury to the Fund and to the other non-defaulting Contributors. The default by a Defaulting Contributor (as defined below) may result in the loss of rights and privileges linked to the Units held by him in the Fund. Any penalty levied on the Defaulting Contributor (as envisaged below) shall be the amount of liquidated damages payable to the Fund by the Defaulting Contributor as a consequence of default of his contractual obligations.</p> <p>Any Contributor failing to contribute any portion of its Capital Commitment pursuant to a Drawdown Notice, within 10 (ten) calendar days from the date of Drawdown Notice, may be declared as a ‘Defaulting Contributor’ by the Investment Manager. The Investment Manager shall have the authority to condone a delay in payment of any portion of Capital Commitment by a Contributor; provided, that such delay does not extend beyond 15 (fifteen) calendar days or such higher period as determined by the Investment Manager from the due date (“<b>Grace Period</b>”). It is clarified that the Contributors who pay the Capital Contribution requested pursuant to Drawdown Notice within the Grace Period shall not be treated as Defaulting Contributors.</p> <p>The Investment Manager shall, at its absolute discretion, be entitled to enforce against the Defaulting Contributor <i>inter alia</i> singly, or in combination, any of the action/s as stated below:</p> <ul style="list-style-type: none"> <li>• reduce the Capital Commitments of the Defaulting Contributor to the amount of Capital Contributions made by such Defaulting Contributor; and/or</li> <li>• enforce the Defaulting Contributor’s obligations through pursuing any rights and remedies the Fund may have against the Defaulting Contributor, including by taking legal or other action against the Defaulting Contributor as more fully set out in the Contribution Agreement and the Indenture; and/or</li> <li>• suspend or terminate the Defaulting Contributor’s right to receive any</li> </ul>

		<p>distributions. However, the Defaulting Contributor shall remain fully liable to the creditors of the Fund, to the extent permitted by Applicable Law, for the amount payable by the Contributor as if such default had not occurred. It is clarified that, the Management Fee and any penalty interest levied thereon agreed to be paid by the Defaulting Contributor shall be deducted from the existing contributed funds of such Defaulted Contributor; and/or</p> <ul style="list-style-type: none"> <li>• suspend or terminate the Defaulting Contributor’s obligation and right to make future payments towards its Capital Commitment; and/or</li> <li>• following the date of default, not allocate any items of gains to the Defaulting Contributor; and/or</li> <li>• cease to share any information or reports relating to the Fund with the Defaulting Contributor till the default is cured; and/or</li> <li>• require additional contribution (over and above the Capital Commitment) calculated by applying a penal interest rate of up to 18% (eighteen percent) per annum, on the Capital Contribution mentioned in the Drawdown Notice, from the date of the Drawdown Notice to the date of actual remittance of the amount (such defaulted Capital Contribution plus additional contribution in accordance with this Clause being the “<b>Default Amount</b>”). Any Tax implications on such penal interest shall be borne by the Defaulting Contributor and not by the Fund;</li> <li>• forfeit, without compensation, some or all Units subscribed by the Defaulting Contributor. Upon such forfeiture being effected, the Defaulting Contributor shall cease to be entitled to any rights including the right to demand refund of its forfeited portion of the Capital Contribution to the Contribution Fund; and/or</li> <li>• prohibit the Defaulting Contributor from participating in any subsequent Contributor vote, meeting, consent or decision to be made by the any committee or board of Investment Manager (as applicable); and/or</li> <li>• sell the Defaulting Investor’s Units to other non-defaulting Investors and / or to third parties at a price as solely decided by the Investment Manager. Any Tax implications arising from such sale of Units shall be borne by the respective transferor/transferee and in no case shall be borne by the Fund and/or the Investment Manager; and/or</li> <li>• offset amounts otherwise distributable to such Defaulting Contributor against the Default Amount and Fund Expenses including Tax liabilities; and/or</li> <li>• recover the following from the Defaulting Contributor, which if not paid, will give rise to a new default, or set off the same against sums otherwise distributable to the Defaulting Contributors: (a) all due Operating Expenses; (b) due Management Fee; (c) any cost incurred by the Fund as a result of taking actions against the Defaulting Contributor; and (d) any other amount for which it is liable to pay to the Fund as per</li> </ul>
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	<p>Applicable Laws and under the Contribution Agreement; and I indemnification or any other obligations under the Contribution Agreement.</p> <p>Any or all of the above actions subject to the Applicable Laws may be waived by the Investment Manager. Any Taxes arising as a consequence of such actions shall be separately recoverable from the Defaulting Contributor.</p> <p>Notwithstanding the above, a Defaulting Contributor shall not be allowed by the Fund/Investment Manager to participate in any subsequent Portfolio Investment till the time the Defaulting Contributor makes payment of Default Amount to the Fund and cures the default to the satisfaction of the Investment Manager.</p> <p>In the event the Units of a Defaulting Contributor are forfeited, such forfeiture shall include all dividends, interest, gains and distributions declared but unpaid and all payments made by the Contributor in respect of such Units. Any Units so forfeited may be disposed-off by the Investment Manager, and the proceeds of disposal (if any) shall accrue to the Fund. Upon such forfeiture being effected, the Defaulting Contributor shall cease to be entitled to any rights (including the right to demand refund) in respect of its contribution to the Fund. The Units not so forfeited may be redeemed at such price as may be determined by the Investment Manager and shall be calculated after taking into account any expenses (including Management Fee that may accrue), deductions, losses and Taxes (as applicable on forfeiture of shares) allocated to such Defaulting Contributor. All Tax Liabilities arising with respect to income on units held by Defaulting Contributor or such forfeiture and/ or redemption of Units shall be borne by the Defaulting Contributor.</p> <p>Notwithstanding the above, the Investment Manager may, at its sole discretion and based on the needs of the Fund, allow Capital Contributions already made by the Defaulting Contributor to remain invested and to be returned to the Defaulting Contributor at the time of disposal of the Fund's investments in Portfolio Companies, together with distributions to other Contributors.</p> <p>In the event of any forfeiture of Units of a Defaulting Contributor, the <i>pro rata</i> share of the other non-defaulting Contributors shall get automatically realigned based on such reduction in the Corpus of the Fund.</p> <p>Any additional amounts collected from the Defaulting Contributor and/or in respect of sale/transfer of Units of such Defaulting Contributor, shall be</p>
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		<p>retained by the Investment Manager as part of the Contribution Fund to be utilized towards satisfaction of Fund Expenses and the balance, if any, shall be distributed upon termination of the Fund or in the alternative shall be immediately distributed amongst the existing non-defaulting Contributors in proportion to their respective Capital Contributions, subject to applicable withholding or payment of Taxes, and shall be subject to recall by the Investment Manager.</p> <p>Notwithstanding the above actions taken by the Investment Manager, the Defaulting Contributor will remain liable to pay to the Fund (as applicable):</p> <ul style="list-style-type: none"> <li>(a) Default Amount; and</li> <li>(b) any amounts for which it is liable to pay to the Fund under the Indenture and/or the Contribution Agreement.</li> <li>(c) Any taxes which become payable by the Fund on account of default made by such Defaulting contributor</li> </ul> <p>The Investment Manager may take different action/s against different Defaulting Contributors and shall not in any way be liable to any Contributor or other person for any such actions taken or for any inconsistency in the application of any actions following a default by a Defaulting Contributor.</p>
16.	<b>TRANSFER, WITHDRAWAL AND TRANSMISSION OF UNITS</b>	<p>Subject to the provisions of the Memorandum and Contribution Agreement, including but not limited to termination, the Contributors are not permitted to withdraw from the Fund. Subject to Applicable Laws, Contributors are not permitted to solicit or transfer/pledge any of their Units, Capital Commitment, interests, rights or obligation with regard to the Fund, without taking prior written consent of the Investment Manager which may be denied by the Investment Manager, and shall be subject to the following requirements:</p> <ul style="list-style-type: none"> <li>a) The proposed transferee/pledgee is an Eligible Person;</li> <li>b) The proposed transfer/pledge shall be subject to execution of necessary documentation by transferee/pledgee and transferor/pledger as may be stipulated/prescribed/required by the Investment Manager; and</li> <li>c) The proposed transfer/pledge will not contravene any Applicable Law or policy of the Government or otherwise is not prejudicial to the interests of the Trust/Fund.</li> </ul> <p>In the event of transfer of Units by a Contributor, the new contributor shall execute a deed of adherence acknowledging to be bound by the</p>

		<p>terms and conditions of the Fund Documents, in accordance with the form specified in the Contribution Agreement. Subject to Applicable Laws, costs and duties with respect to such deed of adherence shall be borne by the new contributor. Any Tax liability or obligation arising from such transfer shall be the responsibility of the transferor/transferee.</p> <p><b><u>Redemption of Units</u></b></p> <p>The Investment Manager will endeavour to exit/liquidate all the Fund Investments before the expiry of Term (except in cases of <i>in-specie</i> distribution or as otherwise provided under the Regulations), and the liquidation proceeds along with other distributable income or assets of the Fund will be distributed as detailed under paragraph 25 under the term ‘Distributions’ in this “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”. The Investment Manager may redeem such part of the Units as the Investment Manager decides for the purpose of effecting a distribution or otherwise. Post the redemption of Unit/s and payment of consideration, the Contributor shall cease to be entitled to any rights in respect thereof and accordingly its name shall be removed from the list of Contributors with respect to such Unit/s. Units not redeemed by the Fund shall be redeemed as per the Applicable Laws after the Term comes to an end. Any Tax liability or obligation arising from such redemption shall be the responsibility of the respective Investor.</p> <p><b><u>Deceased Investor</u></b></p> <p>In the event of the death of an Investor (“<b>Deceased Investor</b>”), the Investment Manager, may in its discretion, take any action in respect of the Capital Commitment and/or Units of such Deceased Investor as set forth below subject to Applicable Laws. The legal heir of the Deceased Investor, or in case a nominee has been notified by the Deceased Investor to the Investment Manager before his/her death then such nominee, shall be deemed to be the successor of the Deceased Investor, subject to compliance under the Applicable Laws and completion of procedural requirements of the Investment Manager including execution of such necessary documentation as may be prescribed by the Investment Manager. The actions that the Investment Manager may take shall include but not be limited to permitting the legal heir / successor of the Deceased Investor to substitute the Deceased Investor in the Fund by transmission of the Units to the legal heir / successor and/or such legal heir / successor agreeing to honour Capital Commitment of such Deceased Contributor; providing an exit in respect of the Units of such Deceased Investor; exempting the Capital Commitment of the Deceased Investor from any penal actions due to default on such Capital Commitment, etc.</p> <p>It is hereby clarified that in the case of joint Investors, the surviving</p>
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		<p>Investor shall be deemed to be the sole Investor on the demise of another Investor.</p> <p>Further, it is hereby clarified that any actions by the Investment Manager as stated above on death of a Contributor, shall constitute full and valid discharge of the Trustee and/or the Investment Manager and/or the Fund of any liability towards the legal heirs of the Deceased Investor.</p>
17.	MANAGEMENT FEE	<p>As a consideration for the services to be rendered by the Investment Manager, the Fund shall pay Management Fee to the Investment Manager.</p> <p>The payment of Management Fee to the Investment Manager in connection with the Fund in respect of Class A1 Units, Class A2 Units, Class D1 Units, Class D2 Units, Class F Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, will accrue and commence from the First Closing and shall be charged on half yearly basis, in advance.</p> <p>For the purpose of charging the Management Fee, the Investment Manager may either make a drawdown or set aside an amount from the Investment Proceeds attributable to holders of Class A1 Units, Class A2 Units, Class D1 Units, Class D2 Units, Class F Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager. However, to clarify, the Investment Manager in its sole discretion may defer the charge of Management Fee in respect of certain Contributors who have not made a payment of initial Drawdown to the Fund.</p> <p>The financial year, that is, April 1 to March 31, shall be referred to for the purpose of calculating the Management Fee, and for any periods shorter than a complete financial year, the Management Fee shall be calculated on a <i>pro rata</i> basis.</p> <p>The Management Fee shall be payable as follows:</p> <ul style="list-style-type: none"> <li>(a) During the Commitment Period: up to 2.5% (two point five percent) p.a. on the aggregate Capital Commitments of the respective Class of Units.</li> <li>(b) Upon expiry of the Commitment Period: up to 2% (two percent) p.a. on the aggregate Capital Contributions of the respective Class of Units <i>less</i> the cost of Fund Investments that have been sold, disposed of, written off or otherwise realized. Provided that any such cost of Fund Investments (that have been sold, disposed of or otherwise realized) shall be considered as part of Capital Contributions to the extent the whole or part thereof is utilised towards making reinvestment by the Fund. Accordingly, any such</li> </ul>

		<p>reinvestment shall be considered as part of Fund Investments.</p> <p>The Investment Manager will have the discretion to reduce or waive the Management Fee applicable to an Investor/Class of Units.</p> <p>The Management Fee may be drawn down by the Investment Manager by issuing a Drawdown Notice or by offsetting against any income earned by the Fund or in any other manner as may be decided by the Investment Manager.</p> <p>The Management Fee payable to the Investment Manager shall be exclusive of all applicable Taxes (including GST) and levies, if any, leviable on such Management Fee and the same shall be borne by the Fund and allocated to the holders of Class A1 Units, Class A2 Units, Class D1 Units, Class D2 Units, Class F Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, as applicable. The Management Fee shall be paid or credited to the Investment Manager after withholding of appropriate Taxes as per the Applicable Law.</p> <p>No Management Fee shall be payable with respect to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units and Class E2 Units.</p> <p>Kindly refer to “<b>SECTION XII: ILLUSTRATION OF FEES, EXPENSES AND OTHER CHARGES</b>” for the calculation of Management Fee.</p>
<b>18.</b>	<b>TRUSTEESHIP FEES</b>	<p>For acting as the Trustee of the Trust and the Fund, and discharging its functions and responsibilities as the Trustee, the Trustee shall be entitled to receive from Fund: (i) an upfront fee of Rs. 1,25,000 (Indian Rupees One Lakh Twenty-Five Thousand) plus applicable Taxes; and (ii) an annual fee of Rs. 1,50,000 (Indian Rupees One Lakh Fifty Thousand) plus applicable Taxes or such amount as may be mutually agreed in writing between the Investment Manager and the Trustee (“<b>Trusteeship Fees</b>”).</p> <p>The Trusteeship Fees shall be exclusive of all applicable Taxes (other than withholding tax, leviable on such Trusteeship Fees under Applicable Laws) and levies, if any, leviable on such Trusteeship Fees, from time to time, and any out of pocket expenses as may be incurred by the Trustee.</p>
	<b>OTHER FEES</b>	<i>Not applicable</i>
<b>19.</b>	<b>DIRECT PLAN FOR INVESTORS</b>	<i>Not applicable</i>

20.	<b>EXPENSES (INCLUDING OPERATING EXPENSES AND SET-UP EXPENSE)  CHARGED TO THE FUND</b>	<p><b><u>OPERATING EXPENSES</u></b></p> <p>The annual operational expenses of the Fund (“<b>Operating Expenses</b>”) (excluding the Management Fee paid to the Investment Manager, Set-up Expense, any litigation expenses, discharge of any indemnification obligations and any other extraordinary and non-recurring expenses, and any expenses directly attributable to sale of the Fund Investments (such as banker’s expenses), which shall be charged on actuals to the Fund over and above the Operating Expenses) will be borne by the Fund on actuals subject to a cap of 0.30% p.a. of the aggregate Capital Commitments of all the Classes and allocated to all the holders of Classes of Units.</p> <p>The Operating Expenses shall <i>inter alia</i> consist of the following:</p> <ul style="list-style-type: none"> <li>• Expenses incurred in the operation of the Fund;</li> <li>• Stamp duty incurred with respect to the onboarding of Contributors and execution of Fund Investment documentation;</li> <li>• Statutory, legal, accounting audit, annual private placement memorandum audit, custody, consulting, valuation, any other third party fees and operating expenses related to the Fund and other professional fees, including any fee payable to registrar to an issue and share transfer agent agents;</li> <li>• Due Diligence expenses;</li> <li>• Expense incurred by the Fund for collection of Capital Commitments;</li> <li>• Banking, registration, qualification, depositary and similar fees or commissions;</li> <li>• Interest on borrowings;</li> <li>• Trusteeship Fees;</li> <li>• Costs of financial statements and other reports (including reports to Contributors) and meetings of the Investment Manager;</li> <li>• Expenses in connection with meetings of the investment committee, advisory committee or any other board or committee set up in connection with the Trust/Fund;</li> <li>• Expenses in connection with meetings of the Contributors (travel, accommodation and out-of-pocket expenses of Contributors will be borne by themselves);</li> <li>• Expenses associated with maintenance of books of accounts and other records of the Fund;</li> <li>• Expenses reimbursable to the Trustee;</li> <li>• Administration, communication, advertising, promotional, operating, and transactional expenses (including bank charges) incurred by the Fund;</li> </ul>

		<ul style="list-style-type: none"> <li>• Fees payable to banks, merchant banks, and any consultants for providing services to the Fund;</li> <li>• Reasonable premiums for insurance for protecting the directors, partners, officers, shareholders, employees and agents of the Trustee and Investment Manager of the Fund;</li> <li>• Proportionate liquidation expenses of the Fund; and</li> <li>• All other costs, expenses, charges, levies, duties, administrative, statutory, revenue levies and other incidental costs, fees, expenses not specifically covered above arising out of or in the course of managing or operating the Fund, including stamp duty on the issuance of Units.</li> </ul> <p>Any such costs and expenses incurred by the Investment Manager shall be reimbursable by the Fund to the Investment Manager.</p> <p>Operating Expenses incurred by the Fund over and above the aforementioned limit shall be borne by the Investment Manager.</p> <p>The Investment Manager will have the discretion to reduce or waive the Operating Expenses applicable to an Investor/Class of Units. To clarify, such reduction or waiver shall not impact any other Contributor in a negative manner and any amount arising out of such reduction or waiver shall be borne by the Investment Manager.</p> <p>The Operating Expenses shall be exclusive of all applicable Taxes and levies, if any, leviable on such Operating Expenses and the same shall be borne by the Fund and allocated to the holders of all the Classes of Units, as applicable.</p> <p><b><u>SET-UP EXPENSE</u></b></p> <p>The Investment Manager will charge one-time Set-up Expense at the rate of 2% (two percent) of the Capital Commitment with respect of Class A1 Units, Class A2 Units, Class D1 Units, Class D2 Units, Class F Units and such other Classes/Subclasses of Units as the Investment Manager may determine from time to time. ("<b>Set-up Expense</b>").</p> <p>The Set-up Expense shall be utilized towards:</p> <ul style="list-style-type: none"> <li>• setting up and offering costs;</li> <li>• costs directly attributable to the establishment of the Fund and obtaining or maintaining various licenses, approvals and registrations, registration expenses;</li> <li>• commitment or similar fees;</li> <li>• legal and professional expenses (including fees paid for legal opinions, if any) incurred in relation to the preparation and negotiation of the Fund Documents or any other documents applicable</li> </ul>
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		<p>to the Fund;</p> <ul style="list-style-type: none"> <li>• printing costs in relation to the Fund Documents;</li> <li>• stamp duty and registration charges incurred with respect to formation of Fund; and</li> <li>• travel expenses of the Investment Manager team for the execution of the Contribution Agreements.</li> </ul> <p>The Set-up Expense payable to the Investment Manager shall be exclusive of all applicable Taxes (including GST) and levies, if any, leviable on such Set-up Expense and the same shall be borne by the Fund and allocated to the holders of Class A1 Units, Class A2 Units, Class D1 Units, Class D2 Units, Class F Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, as applicable. However, to clarify, the Investment Manager in its sole discretion may defer the charge of Set-up Expense in respect of certain Contributors who have not made a payment of initial Drawdown to the Fund.</p> <p>No Set-up Expense shall be charged to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units and Class E2 Units.</p> <p>The Investment Manager will have the discretion to reduce or waive the Set-up Expense applicable to an Investor/Class of Units. To clarify, such reduction or waiver shall not impact any other Contributor in a negative manner and any amount arising out of such reduction or waiver shall be borne by the Investment Manager.</p> <p><b><u>OTHER EXPENSES</u></b></p> <p>In addition to the Set-up Expense, Placement Costs, Operating Expenses and Management Fee, the Fund will be responsible for all costs and expenses at actuals related to its own operations whether incurred directly by the Fund or by the Trustee or the Investment Manager for and on behalf of the Fund, including, without limitation:</p> <ul style="list-style-type: none"> <li>(i) Taxes and other governmental charges levied against the Fund;</li> <li>(ii) Any Tax (other than income tax) including GST, any indirect Tax or statutory charges which is, or may become, leviable under Applicable Law on the expenses and any pay-outs by the Fund to the Investment Manager or Sponsor or affiliated entities of Investment Manager or Sponsor;</li> <li>(iii) Expenses incurred in connection with any indemnification obligations;</li> <li>(iv) Expenses incurred in relation to listing of the Fund and managing the listing;</li> <li>(v) Any expenses directly attributable to buy and sell of the Fund</li> </ul>
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		Investments (such as investment banker’s expenses, brokerage, etc.); and (vi) Any litigation and any other extraordinary and non-recurring expenses.		
21.	EXPENSES OF THE INVESTMENT MANAGER	<p>The Investment Manager shall bear all its operational and administrative expenses post the setting up of the Fund and make its own provision for the following:</p> <ul style="list-style-type: none"><li>a) Office space, salary and personnel cost;</li><li>b) Office equipment;</li><li>c) Regulatory compliance and reporting of the Investment Manager; and</li><li>d) Preparation of tax returns of the Investment Manager.</li></ul>		
22.	BORROWINGS	<p>The Fund may not borrow funds directly or indirectly and shall not engage in leverage except for meeting temporary funding requirements for not more than 30 (thirty) days, not more than 4 (four) occasions in a year and not more than 10% (ten percent) of the Investable Funds in accordance with the Regulations.</p>		
23.	HURDLE RATE OF RETURN	<p>The hurdle rate of return with respect to the holders of Class A1 Units, Class A2 Units, Class D2 Units and Class F Units shall be an XIRR based return of 10% (ten percent) (pre-Tax) per annum compounded on an annualized basis in Indian Rupees and with respect to the holders of Class D1 Units shall be an XIRR based return of 6% (six percent) (pre-Tax) per annum compounded on an annualized basis in USD (“<b>Hurdle Rate of Return</b>”) calculated from the later of, (i) date of First Closing, or (ii) date of actual Drawdown, till the date of distributions in accordance with the Fund Documents.</p>		
24.	DISTRIBUTIONS	<p>Summary of distribution waterfall:</p> <table><tr><td>Investment Proceeds</td><td>The Fund will receive proceeds by way of dividends, returns, capital appreciation, interest or other forms of receivable or any other capital receipt or receivable as may be permitted by Applicable Law from the Fund Investments, returns/yield on Fund Investments and cash proceeds realized from the disposition of the Fund Investments, and any other forms of cash receivables as may be permitted by</td></tr></table>	Investment Proceeds	The Fund will receive proceeds by way of dividends, returns, capital appreciation, interest or other forms of receivable or any other capital receipt or receivable as may be permitted by Applicable Law from the Fund Investments, returns/yield on Fund Investments and cash proceeds realized from the disposition of the Fund Investments, and any other forms of cash receivables as may be permitted by
Investment Proceeds	The Fund will receive proceeds by way of dividends, returns, capital appreciation, interest or other forms of receivable or any other capital receipt or receivable as may be permitted by Applicable Law from the Fund Investments, returns/yield on Fund Investments and cash proceeds realized from the disposition of the Fund Investments, and any other forms of cash receivables as may be permitted by			



			Applicable Law from Fund Investments after taking into account any sale expenses from disposal of the Fund Investments (“ <b>Investment Proceeds</b> ”).
		Distribution Proceeds	Investment Proceeds as reduced by Fund Expenses, Taxes, costs, other Fund liabilities, reserves and Reinvestment Amount (if any) as provided herein (“ <b>Distribution Proceeds</b> ”) shall be distributed by the Investment Manager from time to time and no redemption at the discretion of any Contributor would be permitted during the Term.
		Distribution Waterfall	<p>The Investment Manager will determine the level of distributions based on financial results and cash flows, after taking into consideration all necessary provisions and subject to any restrictions imposed by Applicable Laws. The Investment Manager will make the distributions out of the Distribution Proceeds within a reasonable period. Payment of distributions shall be made to the bank accounts of Contributors through Real Time Gross Settlement or National Electronic Funds Transfer payment systems of the RBI or by way of cheque, as may be decided by the Investment Manager. However, it is clarified that the Investment Manager /Trustee does not have any discretion to make distributions and they shall adhere to the terms of the distribution waterfall specified herein.</p> <p>The Distribution Proceeds will be concurrently allocated/apportioned to the holders of Class A1 Units, Class A2 Units, Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class D1 Units, Class D2 Units, Class E1 Units, Class E2 Units, Class F Units and any</p>

			<p>further Classes/ Subclasses (if any), in proportion to their respective Invested Funds. The Distribution Proceeds allocated to the respective Classes/Subclasses will be further allocated within the Classes/Subclasses in proportion to their respective Invested Funds.</p> <p>Any distribution based on the above allocation/apportionment by the Fund shall be made concurrently/ simultaneously amongst the Contributors in a Class/Subclass in the manner provided below.</p> <p>It is hereby clarified that allocation of Distribution Proceeds to the Excused Contributor shall be in accordance with the paragraph 13 titled ‘Excuse and Exclusion’ under this “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p> <p>The Investment Manager shall be entitled to re-invest any Distribution Proceeds in accordance with the paragraph 28 titled ‘<i>Reinvestment</i>’ under this “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p>
		Hurdle Rate of Return	Refer to above paragraph on ‘ <i>Hurdle Rate of Return</i> ’ under this “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ”.
		Catch-up	Catch-up to holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Class/es of Units as may be designated by the Investment Manager: upto 25% (twenty – five percent) as mentioned under the distribution waterfall provided below.

		Additional Return	<p>For holders of Class A1 Units, Class A2 Units, Class D1 Units, Class D2 Units and Class F Units: atleast 75% (seventy-five percent) as mentioned under the distribution waterfall provided below.</p> <p>For holders of Class B1 Units, Class B2 Units, Class B3 Units and Class C Units Class E1 Units, Class E2 Units and such other Class/es of Units as may be designated by the Investment Manager: 25% (twenty- five percent) as mentioned under the distribution waterfall provided below.</p> <p>Allocation and calculation of Additional Return shall be done on aggregate portfolio basis.</p> <p>The Additional Return applicable to an Investor/Class of Units may be reduced or waived by the Investment Manager for a particular period on a case-to-case basis.</p>
		<p>The Distribution Proceeds allocated to each Contributor shall be distributed by the Investment Manager to the respective Contributor in the manner provided below and no redemption at the discretion of any Contributor would be permitted during the Term.</p> <p>The distribution shall be subject to withholding of Taxes by the Fund, as applicable.</p> <p>If and to the extent that the Fund is required to withhold or pay any Taxes (whether at the time of distributions or otherwise) under Applicable Law in relation to any Contributor's share of distributions (whether distributed or otherwise), such Contributor shall be deemed to have received a payment from the Fund, as of the time that such withholding tax under Applicable Law is required to be paid, which payment shall be deemed to be a distribution of Distribution Proceeds with respect to such Contributor.</p>	

		<p>It is clarified herein that any distribution (based on the above allocation/apportionment and allocation /apportionment detailed in paragraph on ‘<i>Temporary Deployment of Surplus Funds</i>’ under this “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”) by the Fund amongst the Contributors in a Class/Subclass, shall be made concurrently/simultaneously in the manner provided below:</p> <p><b><u>I. Class A1 Distribution Waterfall</u></b></p> <p>The Distribution Proceeds so allocated to the holders of Class A1 Units, (“<b>Class A1 Distribution Proceeds</b>”) shall be distributed as follows:</p> <ul style="list-style-type: none"> <li>(i) <b>Return of Capital:</b> 100% (one hundred percent) of the Class A1 Distribution Proceeds will be distributed to the holders of Class A1 Units, until the cumulative distributions are equal to 100% (one hundred percent) of their respective aggregate Capital Contributions;</li> <li>(ii) <b>Hurdle Rate of Return:</b> Thereafter, 100% (one hundred percent) of the Class A1 Distribution Proceeds will be distributed to the holders of Class A1 Units, until a cumulative amount equal to Hurdle Rate of Return on the amounts described in clause (i) above has been distributed in respect of the Class A1 Units;</li> <li>(iii) <b>Catch-up:</b> Thereafter, 100% (one hundred percent) of the Class A1 Distribution Proceeds will be distributed to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, in such manner as the Investment Manager may determine, until the aggregate amount distributed under this clause (iii) equals 20% (twenty percent) of the aggregate of the amounts distributed under clause (ii) above and this clause (iii);</li> <li>(iv) <b>Additional Return Phase I (upto 30% IRR (pre-tax)):</b> Thereafter, any balance Class A1 Distribution Proceeds shall be distributed to the holders of Class A1 Units and the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, simultaneously in the following ratio: <ul style="list-style-type: none"> <li>a. Holders of Class A1 Units: 80% (eighty percent) in ratio of their respective Capital Contributions;</li> <li>b. Holders of Class B1 Units, Class B2 Units, Class B3 Units</li> </ul> </li> </ul>
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		<p>Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager: 20% (twenty percent) in such manner as the Investment Manager may determine.</p> <p>(v) <b><u>Additional Return Phase II:</u></b> If the Class A1 Distribution Proceeds exceed 30% (thirty percent) of the pre-Tax IRR, then additional distribution/s shall be made to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager till the point the Catch-up calculated at the rate of 20% (twenty percent) under sub-clause I(iii) and the Additional Return Phase I calculated at the rate of 20% (twenty percent) under sub-clause I(iv)(b) above reaches an amount calculated at the rate of 25% (twenty-five percent). Thereafter, the Class A1 Distribution Proceeds shall be distributed to the holders of Class A1 Units and the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, simultaneously in the following ratio:</p> <p>a. Holders of Class A1 Units: 75% (seventy five percent);</p> <p>b. Holders of Class B1 Units, Class B2 Units, Class B3 Units Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager: 25% (twenty five percent) in such manner as the Investment Manager may determine.</p> <p><b><u>II. Class A2 Distribution Waterfall</u></b></p> <p>The Distribution Proceeds so allocated to the holders of Class A2 Units, (“<b>Class A2 Distribution Proceeds</b>”) shall be distributed as follows:</p> <p>(i) <b>Return of Capital:</b> 100% (one hundred percent) of the Class A2 Distribution Proceeds will be distributed to the holders of Class A2 Units, until the cumulative distributions are equal to 100% (one hundred percent) of their respective aggregate Capital Contributions;</p> <p>(ii) <b>Hurdle Rate of Return:</b> Thereafter, 100% (one hundred percent) of the Class A2 Distribution Proceeds will be distributed to the holders of Class A2 Units, until a cumulative amount equal to Hurdle Rate of Return on the amounts described in clause (i) above has been distributed in respect of the Class A2 Units;</p>
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		<p>(iii) <b>Catch-up:</b> Thereafter, 100% (one hundred percent) of the Class A2 Distribution Proceeds will be distributed to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, in such manner as the Investment Manager may determine, until the aggregate amount distributed under this clause (iii) equals 20% (twenty percent) of the aggregate of the amounts distributed under clause (ii) above and this clause (iii);</p> <p>(iv) <b>Additional Return Phase I (upto 30% IRR (pre-tax)):</b> Thereafter, any balance Class A2 Distribution Proceeds shall be distributed to the holders of Class A2 Units and the holders of Class B1 Units, Class B2 Units, Class B3 Units Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, simultaneously in the following ratio:</p> <ol style="list-style-type: none"> <li>a. Holders of Class A2 Units: 80% (eighty percent) in ratio of their respective Capital Contributions;</li> <li>b. Holders of Class B1 Units, Class B2 Units, Class B3 Units Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager: 20% (twenty percent) in such manner as the Investment Manager may determine.</li> </ol> <p>(v) <b><u>Additional Return Phase II:</u></b> If the Class A2 Distribution Proceeds exceed 30% (thirty percent) of the pre-Tax IRR, then additional distribution/s shall be made to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager till the point the Catch-up calculated at the rate of 20% (twenty percent) under sub-clause II(iii) and the Additional Return Phase I calculated at the rate of 20% (twenty percent) under sub-clause II(iv)(b) above reaches an amount calculated at the rate of 25% (twenty-five percent). Thereafter, the Class A2 Distribution Proceeds shall be distributed to the holders of Class A2 Units and the holders of Class B1 Units, Class B2 Units, Class B3 Units and Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, simultaneously in the following ratio:</p> <ol style="list-style-type: none"> <li>a. Holders of Class A2 Units: 75% (seventy five percent);</li> </ol>
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		<p>b. Holders of Class B1 Units, Class B2 Units, Class B3 Units Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager: 25% (twenty five percent) in such manner as the Investment Manager may determine.</p> <p><b>III. <u>Class B1 Distribution Waterfall</u></b></p> <p>The Distribution Proceeds (other than Additional Return) so allocated to the holders of Class B1 Units will be distributed to the holders of Class B1 Units.</p> <p>The Additional Return allocated to holders of Class B1 Units shall be apportioned amongst the holders of Class B1 Units as per their respective Contribution Agreements or as may be decided by the Investment Manager.</p> <p><b>IV. <u>Class B2 Distribution Waterfall</u></b></p> <p>The Distribution Proceeds (other than Additional Return) so allocated to the holders of Class B2 Units (“<b>Class B2 Distribution Proceeds</b>”) will be distributed to the holders of Class B2 Units.</p> <p>The Additional Return allocated to holders of Class B2 Units shall be apportioned amongst the holders of Class B2 Units as per their respective Contribution Agreements or as may be decided by the Investment Manager.</p> <p><b>V. <u>Class B3 Distribution Waterfall</u></b></p> <p>The Distribution Proceeds (other than Additional Return) so allocated to the holders of Class B3 Units (“<b>Class B3 Distribution Proceeds</b>”) will be distributed to the holders of Class B3 Units.</p> <p>The Additional Return allocated to holders of Class B3 Units shall be apportioned amongst the holders of Class B3 Units as per their respective Contribution Agreements or as may be decided by the Investment Manager.</p> <p><b>VI. <u>Class C Distribution Waterfall</u></b></p> <p>The Distribution Proceeds (other than Additional Return) so allocated to the holders of Class C Units will be distributed to the holders of Class C Units in the ratio of their respective Capital Contributions or as may be decided by the Investment Manager.</p>
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		<p>The Additional Return allocated to holders of Class C Units shall be apportioned amongst the holders of Class C Units as per their respective Contribution Agreements or as may be decided by the Investment Manager.</p> <p><b>VII. <u>Class D1 Distribution Waterfall</u></b></p> <p>The Distribution Proceeds so allocated to the holders of Class D1 Units, (“<b>Class D1 Distribution Proceeds</b>”) shall be distributed as follows:</p> <ul style="list-style-type: none"> <li>(i) <b>Return of Capital:</b> 100% (one hundred percent) of the Class D1 Distribution Proceeds will be distributed to the holders of Class D1 Units, until the cumulative distributions are equal to 100% (one hundred percent) of their respective aggregate Capital Contributions;</li> <li>(ii) <b>Hurdle Rate of Return:</b> Thereafter, 100% (one hundred percent) of the Class D1 Distribution Proceeds will be distributed to the holders of Class D1 Units, until a cumulative amount equal to Hurdle Rate of Return on the amounts described in clause (i) above has been distributed in respect of the Class D1 Units;</li> <li>(iii) <b>Catch-up:</b> Thereafter, 100% (one hundred percent) of the Class D1 Distribution Proceeds will be distributed to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, in such manner as the Investment Manager may determine, until the aggregate amount distributed under this clause (iii) equals 20% (twenty percent) of the aggregate of the amounts distributed under clause (ii) above and this clause (iii);</li> <li>(iv) <b>Additional Return Phase I (upto 30% IRR (pre-tax)):</b> Thereafter, any balance Class D1 Distribution Proceeds shall be distributed to the holders of Class D1 Units and the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, simultaneously in the following ratio: <ul style="list-style-type: none"> <li>a. Holders of Class D1 Units: 80% (eighty percent) in ratio of their respective Capital Contributions;</li> <li>b. Holders of Class B1 Units, Class B2 Units, Class B3 Units Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager: 20% (twenty percent) in such manner as</li> </ul> </li> </ul>
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		<p>the Investment Manager may determine.</p> <p>(v) <b>Additional Return Phase II:</b> If the Class D1 Distribution Proceeds exceed 30% (thirty percent) of the pre-Tax IRR, then additional distribution/s shall be made to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager till the point the Catch-up calculated at the rate of 20% (twenty percent) under sub-clause VII(iii) and the Additional Return Phase I calculated at the rate of 20% (twenty percent) under sub-clause and VII(iv)(b) above reaches an amount calculated at the rate of 25% (twenty-five percent). Thereafter, the Class D1 Distribution Proceeds shall be distributed to the holders of Class D1 Units and the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, simultaneously in the following ratio:</p> <p>a. Holders of Class D1 Units: 75% (seventy five percent);</p> <p>b. Holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager: 25% (twenty five percent) in such manner as the Investment Manager may determine.</p> <p><b>VIII. <u>Class D2 Distribution Waterfall</u></b></p> <p>The Distribution Proceeds so allocated to the holders of Class D2 Units, (“<b>Class D2 Distribution Proceeds</b>”) shall be distributed as follows:</p> <p>(i) <b>Return of Capital:</b> 100% (one hundred percent) of the Class D2 Distribution Proceeds will be distributed to the holders of Class D2 Units, until the cumulative distributions are equal to 100% (one hundred percent) of their respective aggregate Capital Contributions;</p> <p>(ii) <b>Hurdle Rate of Return:</b> Thereafter, 100% (one hundred percent) of the Class D2 Distribution Proceeds will be distributed to the holders of Class D2 Units, until a cumulative amount equal to Hurdle Rate of Return on the amounts described in clause (i) above has been distributed in respect of the Class D2 Units;</p> <p>(iii) <b>Catch-up:</b> Thereafter, 100% (one hundred percent) of the Class D2 Distribution Proceeds will be distributed to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1</p>
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		<p>Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, in such manner as the Investment Manager may determine, until the aggregate amount distributed under this clause (iii) equals 20% (twenty percent) of the aggregate of the amounts distributed under clause (ii) above and this clause (iii);</p> <p>(iv) <b>Additional Return Phase I (upto 30% IRR (pre-tax)):</b> Thereafter, any balance Class D2 Distribution Proceeds shall be distributed to the holders of Class D2 Units and the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, simultaneously in the following ratio:</p> <ol style="list-style-type: none"> <li>a. Holders of Class D2 Units: 80% (eighty percent) in ratio of their respective Capital Contributions;</li> <li>b. Holders of Class B1 Units, Class B2 Units, Class B3 Units Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager: 20% (twenty percent) in such manner as the Investment Manager may determine.</li> </ol> <p>(v) <b>Additional Return Phase II:</b> If the Class D2 Distribution Proceeds exceed 30% (thirty percent) of the pre-Tax IRR, then additional distribution/s shall be made to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager till the point the Catch-up calculated at the rate of 20% (twenty percent) under sub-clause VIII(iii) and the Additional Return Phase I calculated at the rate of 20% (twenty percent) under sub-clause VIII(iv)(b) above reaches an amount calculated at the rate of 25% (twenty-five percent). Thereafter, the Class D2 Distribution Proceeds shall be distributed to the holders of Class D2 Units and the holders of Class B1 Units, Class B2 Units, Class B3 Units and Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, simultaneously in the following ratio:</p> <ol style="list-style-type: none"> <li>a. Holders of Class D2 Units: 75% (seventy five percent);</li> <li>b. Holders of Class B1 Units, Class B2 Units, Class B3 Units Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager: 25% (twenty five percent) in such</li> </ol>
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		<p>manner as the Investment Manager may determine.</p> <p><b>IX. <u>Class E1 Distribution Waterfall</u></b></p> <p>The Distribution Proceeds (other than Additional Return) so allocated to the holders of Class E1 Units will be distributed to the holders of Class E1 Units in the ratio of their respective Capital Contributions or as may be decided by the Investment Manager.</p> <p>The Additional Return allocated to holders of Class E1 Units shall be apportioned amongst the holders of Class E1 Units as per their respective Contribution Agreements or as may be decided by the Investment Manager.</p> <p><b>X. <u>Class E2 Distribution Waterfall</u></b></p> <p>The Distribution Proceeds (other than Additional Return) so allocated to the holders of Class E2 Units will be distributed to the holders of Class E2 Units in the ratio of their respective Capital Contributions or as may be decided by the Investment Manager.</p> <p>The Additional Return allocated to holders of Class E2 Units shall be apportioned amongst the holders of Class E2 Units as per their respective Contribution Agreements or as may be decided by the Investment Manager.</p> <p><b>XI. <u>Class F Distribution Waterfall</u></b></p> <p>The Distribution Proceeds so allocated to the holders of Class F Units, (“<b>Class F Distribution Proceeds</b>”) shall be distributed as follows:</p> <ul style="list-style-type: none"> <li>(i) <b>Return of Capital:</b> 100% (one hundred percent) of the Class F Distribution Proceeds will be distributed to the holders of Class F Units, until the cumulative distributions are equal to 100% (one hundred percent) of their respective aggregate Capital Contributions;</li> <li>(ii) <b>Hurdle Rate of Return:</b> Thereafter, 100% (one hundred percent) of the Class F Distribution Proceeds will be distributed to the holders of Class F Units, until a cumulative amount equal to Hurdle Rate of Return on the amounts described in clause (i) above has been distributed in respect of the Class F Units;</li> <li>(iii) <b>Catch-up:</b> Thereafter, 100% (one hundred percent) of the Class F Distribution Proceeds will be distributed to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1</li> </ul>
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		<p>Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, in such manner as the Investment Manager may determine, until the aggregate amount distributed under this clause (iii) equals 20% (twenty percent) of the aggregate of the amounts distributed under clause (ii) above and this clause (iii);</p> <p>(iv) <b>Additional Return Phase I (upto 30% IRR (pre-tax)):</b> Thereafter, any balance Class F Distribution Proceeds shall be distributed to the holders of Class F Units and the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, simultaneously in the following ratio:</p> <ol style="list-style-type: none"> <li>a. Holders of Class F Units: 80% (eighty percent) in ratio of their respective Capital Contributions;</li> <li>b. Holders of Class B1 Units, Class B2 Units, Class B3 Units Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager: 20% (twenty percent) in such manner as the Investment Manager may determine.</li> </ol> <p>(v) <b>Additional Return Phase II:</b> If the Class F Distribution Proceeds exceed 30% (thirty percent) of the pre-Tax IRR, then additional distribution/s shall be made to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager till the point the Catch-up calculated at the rate of 20% (twenty percent) under sub-clause XI(iii) and the Additional Return Phase I calculated at the rate of 20% (twenty percent) under sub-clause XI(iv)(b) above reaches an amount calculated at the rate of 25% (twenty-five percent). Thereafter, the Class F Distribution Proceeds shall be distributed to the holders of Class F Units and the holders of Class B1 Units, Class B2 Units, Class B3 Units and Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager, simultaneously in the following ratio:</p> <ol style="list-style-type: none"> <li>a. Holders of Class F Units: 75% (seventy five percent);</li> <li>b. Holders of Class B1 Units, Class B2 Units, Class B3 Units Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager: 25% (twenty five percent) in such</li> </ol>
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		<p>manner as the Investment Manager may determine.</p> <p>(all such amounts distributed to the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager under clauses I(iii), I(iv)(b), I(v), II(iii), II(iv)(b), II(v), VII(iii), VII(iv)(b), VII(v), VIII(iii), VIII(iv)(b), VIII(v), XI(iii), XI(iv)(b) and XI(v) above are hereinafter referred to as the “<b>Additional Return</b>”).</p> <p>The amounts distributed as Additional Return, shall be exclusive of any Taxes (other than direct taxes), which shall be payable as applicable, in addition and shall be borne by the Fund, and allocated to the holders of Class A1 Units, Class A2 Units, Class D1 Units, Class D2 Units and such other Classes/Subclasses of Units as may be designated by the Investment Manager.</p> <p>The Investment Manager will make reasonable efforts to liquidate the Fund Investments upon termination of the Fund (as applicable). If the Investment Manager is unable to liquidate all of the investments and realize cash proceeds out of such disposition, the Investment Manager may, with the consent of Super-Majority of the Contributors, distribute all un-liquidated investments <i>in specie</i> (net of the Fund Expenses) amongst the Contributors in the manner stated above and on such terms and conditions, as the Investment Manager may, in its sole discretion deem appropriate, subject to the provisions of the Regulations and Applicable Laws. Such <i>in specie</i> distributions of Fund Investments will be made in the same manner and priority as discussed above as if the proceeds equaled the fair market value (which will be determined in good faith by the Investment Manager).</p> <p>The Fund will not be required to make any distribution: (i) unless there is sufficient cash available; or (ii) if it would render the Fund insolvent; or (iii) which, in the Investment Manager’s/Trustee’s opinion, would or could leave the Fund with insufficient funds or income to meet any present or future contemplated obligations, liabilities or contingencies including Tax liabilities.</p> <p>If and to the extent that Fund is required to withhold or pay any Taxes (whether at the time of distributions or otherwise) in relation to, on behalf or allocable to any Contributor, such Contributor shall be deemed to have received a payment from Fund, as of the time that such Tax is required to be paid, which payment will be deemed to be a distribution with respect to such Contributor in relation to its interest in Fund and will be taken into account in calculating future distributions by Fund as may be applicable for the calculation of hurdle rate. Fund may make Tax distributions to the</p>
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		Contributors in respect of gain and other income from Investments in amounts intended to enable Contributors to pay their respective Tax obligations (or that of their direct or indirect owners, if applicable).
25.	<b>DISTRIBUTION IN-KIND</b>	<p>The Investment Manager may, subject to Applicable Laws and obtaining approval from Super-Majority of Contributors, make <i>in specie</i> distributions to the Contributors of the assets (such as Fund Investments, Temporary Investments etc.), in accordance with the terms set out under paragraph 25 titled ‘<i>Distributions</i>’ under “<b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b>”.</p> <p>Such <i>in specie</i> distributions of Fund Investments will be made in the same manner and priority as if the Distribution Proceeds equaled the fair market value (which will be determined in good faith by the Investment Manager) and shall be subject to discharge of appropriate withholding of Tax at the time of such distribution, if applicable.</p> <p>The restrictions on disposal of assets (if any) applicable to the respective Fund Investments may also be applicable to the Contributors receiving such <i>in-specie</i> distribution.</p> <p>The Investors shall cooperate with the Investment Manager/Fund in discharging the withholding Tax liabilities with respect to the in-specie distribution made.</p> <p>It is clarified that the Fund shall be required to withhold appropriate Taxes, under Applicable Laws, in respect of any in-specie distribution to be made to the Contributors.</p>
26.	<b>MANDATORY EXIT OF INVESTORS</b>	<p>The Investment Manager reserves the discretion to compel the redemption of any Units with not less than 15 (fifteen) Business Days prior written notice for any of the following reasons:</p> <ul style="list-style-type: none"> <li>(i) The Units are held by or for the benefit (directly or indirectly) of any Person who is not an Eligible Person; or</li> <li>(ii) Continuation of the Contributor with the Fund will be materially prejudicial to the interest of the Fund; or</li> <li>(iii) Continuation of the Contributor with the Fund will result in onerous obligations on the Fund; or</li> <li>(iv) Contributor is in material breach of its obligations under the Contribution Agreement.</li> </ul> <p>The Investment Manager shall determine the redemption price of the</p>

		<p>Units being compulsorily redeemed based on the lower of net asset value calculated at the time of compulsory redemption or at the time of distributions made to the Contributors or at such price as may be determined by the Investment Manager. The payments (net of Taxes, as per the Applicable Law) shall be made by Investment Manager as soon as practically possible during the term of the Fund, provided such payment shall not be prejudicial to the interest of the Fund, as may be reasonably determined by the Investment Manager. The Fund shall, before distribution of any amount arising out of compulsory redemption to the Contributors, withhold and / or discharge appropriate Taxes as per Applicable Laws. Any Taxes in case of mandatory exits will be borne by the respective Contributors.</p>
27.	<b>REINVESTMENT</b>	<p>The proceeds from Fund Investments (limited to the principal amount), received prior to the expiration of Commitment Period, may be retained by the Fund, for redeployment or be distributed to the Contributors at the Investment Manager's discretion. The Investment Manager will have a right to re-call any such distributions (subject to a maximum of principal amount) for making a new Fund Investment or a Follow-on Investment ("<b>Reinvestment Amount</b>").</p> <p>The reinvestment shall be made only after retaining an appropriate amount as the Investment Manager deems fits towards payment of Taxes.</p>
28.	<b>TEMPORARY DEPLOYMENT OF SURPLUS FUNDS</b>	<p>Temporary Investments by the Fund shall be made in liquid mutual funds, bank deposits, treasury bills, triparty repo dealing and settlement, commercial papers, certificate of deposits and such other liquid assets of higher quality as may be prescribed under the Regulations.</p> <p>Until Capital Contributions received by the Fund are utilized towards Fund Investments and/or pending distribution or as a reserve for the Fund's anticipated obligations (including Tax obligations / liabilities), as applicable, the Investment Manager shall be entitled to invest the same in Temporary Investments.</p> <p>Prior to the First Closing of the Fund, any gains arising to the Fund from such Temporary Investments shall be distributed or allocated against the unfunded Capital Commitment of the Contributor (subject to the Regulations) or utilised in any other manner as decided by the Investment Manager, net of Taxes, if any applicable, <i>pro rata</i> to the amount of Capital Contribution utilized towards such Temporary Investments (on time weighted basis).</p> <p>Subsequent to the First Closing of the Fund, any gains arising to the Fund from such Temporary Investments shall be retained as a part of the Contribution Fund to be utilized or distributed in accordance with the</p>

		<p>Fund Documents at the discretion of the Investment Manager.</p> <p>The Investment Manager would endeavour to hold the Temporary Investments for a tenure not exceeding 1 (one) year from the date of making such Temporary Investment.</p>
29.	<b>CLAWBACK OF ADDITIONAL RETURN</b>	<p>Upon liquidation, dissolution or winding up of the Fund, if the holders of Class A1 Units, Class A2 Units, Class D1 Units, Class D2 Units and Class F Units have received distributions less than the amount required to repay aggregate Capital Contributions plus the Hurdle Rate of Return thereto (the “<b>Preferred Return Deficiency</b>”), the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes of Units as determined by the Investment Manager who have received distributions over the Fund’s entire Term in excess of their entitlement of the Additional Return (the “<b>Excess Distribution Amount</b>”), then the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes of Units as determined by the Investment Manager who have received Excess Distribution Amount shall pay to the Fund (in proportion to the amount respectively received by them as Additional Return) an amount equal to the greater of (i) the Excess Distribution Amount, or (ii) the Preferred Return Deficiency, not exceeding total amount distributed as Additional Return to the the holders of Class B1 Units, Class B2 Units, Class B3 Units, Class C Units, Class E1 Units, Class E2 Units and such other Classes of Units as determined by the Investment Manager and less any Tax paid thereon.</p>
30.	<b>GIVEBACK BY THE CONTRIBUTORS (OF DISTRIBUTIONS RECEIVED)</b>	<p>The Investment Manager or Trustee may, in prior consultation with the Investment Manager, require a Contributor to return distributions made to the Contributor in order to satisfy the Contributor’s <i>pro rata</i> share of any obligations or liabilities of the Fund (including any indemnification obligations, Tax liability/claim).</p> <p>Subject to Applicable Laws including the Limitations Act, 1963, the obligation to return distributions may also continue beyond the term of the Fund/Trust as determined by the Investment Manager/Trustee in consultation with the Investment Manager, by providing a notice to the Contributors for the same.</p>
31.	<b>KEY PERSON &amp; KEY PERSON EVENT</b>	<p>A “<b>Key Person Event</b>” will be deemed to occur in the event that Navin Honagudi and Mr. Anuj Golecha (collectively “<b>Key Persons</b>”), resign from their position and/or become deceased and/or become disabled to an extent where they are unable to perform their role for a period of at least 180 (one hundred and eighty) consecutive days, during the Commitment Period.</p> <p>Upon the occurrence of a Key Person Event, the Investment Manager</p>



		<p>shall be required to replace, within a period of 6 (six) months from such occurrence (“<b>Key Person Event Cure Period</b>”), at least 1(one) Key Person with a suitably qualified individual, as approved by the Two-third Majority of the Contributors.</p> <p>On the occurrence of a Key Person Event, the Commitment Period shall automatically be suspended till a replacement Key Person is appointed in the manner provided above during the Key Person Event Cure Period. Provided that, further Drawdowns for investment shall be allowed to the extent necessary for Follow-on Investments and specific investments in relation to which legally binding commitments have been made prior to the occurrence of the Key Person Event or to pay Management Fee and Fund Expenses. Further, if suitable replacements as approved by the Two-Third Majority of the Contributors are found for the Key Persons, as applicable, the Commitment Period shall stand extended to the extent of the period equal to the period of suspension.</p> <p>Following a suspension of the Commitment Period resulting from the occurrence of a Key Person Event, the Fund will continue to manage, hold and dispose of its existing Fund Investment.</p>
32.	<b>REMOVAL OF THE INVESTMENT MANAGER</b>	<p>The Investment Manager may be changed for a “Cause” (as described below) if 90% (ninety percent) Contributors by value in the Trust vote to change the Investment Manager after giving a 6 (six) months’ written notice (“<b>Cure Period</b>”) to the Investment Manager of such “Cause” and the Investment Manager fails to cure such “Cause” within the Cure Period.</p> <p>For the purposes of change of the Investment Manager, “Cause” shall be established where the existence of the following circumstances is demonstrated:</p> <ul style="list-style-type: none"> <li>(i) the Investment Manager is in material breach of its material obligations under the terms of the Fund Documents as decided by a final non-appealable order of the highest court of competent jurisdiction and for which a written notice has been served upon the Investment Manager (through the Trustee) specifying the nature of breach and the Investment Manager has failed to cure such default within a period of 90 (ninety) days from the date of receipt of such notice by the Investment Manager;</li> <li>(ii) orders of bankruptcy, insolvency, administration, involuntary reorganization or similar proceedings have been passed against the Investment Manager; or</li> <li>(iii) the Investment Manager has engaged in Malfeasance in connection with its role as the Investment Manager.</li> </ul>

		<p>In such an event (if the “Cause” has not been cured), the Super-Majority of Contributors of the Trust may appoint another investment manager. The provisions of the Contribution Agreements shall be in line with this paragraph on ‘<i>Removal of Investment Manager</i>’.</p> <p>Notwithstanding anything stated above, upon the removal of the Investment Manager, the Management Fee accrued on Fund Investments made till the date on such removal is effected, shall be due and payable to the Investment Manager or as provided in this Memorandum.</p>
<b>33.</b>	<b>CO-INVESTMENT</b>	<p>Subject to and in compliance with Regulations and Applicable Laws (including applying for any additional license/s as may be required under the SEBI (Portfolio Managers) Regulations, 2020), the Investment Manager may at its discretion offer Co-Investment opportunities to certain eligible Contributors (which, <i>inter alia</i>, shall be a minimum threshold of Capital Commitment by the Contributors or offering strategic value to the Portfolio Entity, being the qualifying criteria) (each a “<b>Co-Investor</b>”), at such times and on such terms as it may determine.</p> <p>Co-Investment in a Portfolio Entity by any Co-Investor or by the Investment Manager and/or Sponsor/s shall not be on terms more favourable than those offered to the Fund, unless otherwise provided under Applicable Laws. The Investment Manager and/or its affiliates may receive any referral fees and other compensation from the Co-Investors in relation to their Co-Investment which could be different from the fees or compensation charged to the Fund and shall not be obliged to remit these amounts to the Fund. Similarly, any transactional expenses in respect of a Co-Investment opportunity incurred by the Fund shall be shared proportionately between the Fund and such Co-Investors in the ratio of their amount of investments. Subject to the foregoing, (i) each of the Fund and the Co-Investor will act independently and not act as an agent of the other; (ii) each of the Fund and the Co-Investor will make its own decisions on investments and divestments and bear its own expenses as well as be entitled to the gains and losses arising from its investments; and (iii) the Fund and the Co-Investor are not expected to act jointly or make any joint investment/ divestment decisions and do not intend to form/ act as any joint venture or partnership or association of persons for the purpose of making investments.</p>
<b>34.</b>	<b>PARALLEL VEHICLES / ALTERNATIVE INVESTMENT STRUCTURES</b>	<p>Subject to Applicable Laws, the Investment Manager may establish one or more parallel vehicles / alternative investment structures / feeder funds through which certain Investors may invest in the Fund, including overseas vehicles. Such structures may <i>inter alia</i> be used to raise capital through offshore jurisdictions with the help of feeder funds.</p>

		<p>Such parallel vehicles / alternative investment structures / feeder funds shall be established in accordance with the applicable regulatory framework of the concerned jurisdiction. The cost of setting up and managing such parallel vehicles / alternative investment structures / feeder funds shall be borne by the contributors' of such parallel vehicles / alternative investment structures / feeder funds.</p> <p>Subject to the foregoing, (i) each of the Fund and the parallel vehicle or alternative investment structure or feeder fund will act independently and not as an agent of the other; (ii) each of the Fund and the parallel vehicle or alternative investment structure or feeder fund will make its own decisions on investments and divestments and bear its own expenses as well as be entitled to the gains and losses arising from its investments; and (iii) the Fund and the parallel vehicle or alternative investment structure or feeder fund are not expected to act jointly or make any joint decisions or form/ act as an association of persons and do not intend to form any joint venture or partnership for the purpose of making investments.</p>
<b>35.</b>	<b>SUCCESSOR FUNDS</b>	<p>The Investment Manager may, at its discretion, set up subsequent funds with similar or different investment strategy which may be called successor funds, under the same Trust or separate vehicle in accordance with the Applicable Laws. Such successor funds may be launched during the term of the Fund/Trust or post the termination of the Fund/Trust.</p>
<b>36.</b>	<b>REPORTING</b>	<p>The Contributors will receive:</p> <ol style="list-style-type: none"> <li>An annual report comprising financial information of the Portfolio Entities, material risks and how they are managed and other material information on the Fund that is deemed to be relevant by the Investment Manager. This information shall be sent to the Contributors within 180 (one hundred and eighty) days from the close of the financial year.</li> <li>Information with respect to any fees charged by the Investment Manager and/or Sponsor/s or any fees charged to the Trust/Portfolio Entity by an Associate of the Investment Manager and/or Sponsor/s shall be disclosed periodically in accordance with Applicable Laws.</li> <li>Information with respect to any breach of a provision of this Memorandum, Contribution Agreements or any Fund Documents, as and when occurred.</li> <li>Information with respect to any change in control of Investment Manager and/or Sponsor/s or Portfolio Entities, any change in the Investment Manager and/or Sponsor/s, any significant change in key investment team and information with respect to any inquiries/ legal actions by legal or regulatory bodies in any jurisdiction, as and when occurred.</li> <li>Information in relation to any change to this Memorandum with</li> </ol>

		<p>details indicating the changes made, and such other information as required to be reported/disclosed to the Contributors in terms of the Regulations, within 1 (one) month of the end of each financial year, on a consolidated basis.</p> <p>f. any change/s in the disciplinary history, as and when occurred.</p> <p>g. Any other details/reports <i>suo moto</i> from the Investment Manager, as deemed necessary by the Investment Manager.</p> <p>h. Such other reports as may be prescribed under Applicable Law, including Income-tax Act, 1961 to be provided by the Investment Manager/Trustee.</p> <p>All the above referred reports/information shall be furnished to the Contributors in accordance with <b>Annexure A</b> and shall be sent electronically by e-mail unless otherwise specified by the Contributor.</p> <p>The Investment Manager in accordance with the Contribution Agreements, shall deliver to each Contributor the Statement of Accounts, evidencing the number of Units held by the Contributor.</p>
37.	<b>VALUATION</b>	<p>An independent valuer, for valuation of assets of the Fund shall be appointed by the Fund. The valuation shall be done by such valuer at least once every 6 (six) months. Such period may be enhanced to 12 (twelve) months with the approval of Super-Majority of Contributors of the Fund. The valuation methodology shall be provided to the Contributors separately.</p> <p>For more details, please refer to “<b>SECTION VIII: PRINCIPLES OF PORTFOLIO VALUATION</b>”.</p>
38.	<b>SIDE LETTERS</b>	<p>The Investment Manager may enter into agreements with certain large Contributors / strategic investors who may be offered preferential terms as detailed hereinbelow. Such preferential terms shall be provided separately in the respective side letters to be signed with such Contributors and nothing mentioned in such side letters shall alter the rights of the other Investors available under their respective Contribution Agreements.</p> <p>The commercial terms on which differential rights may be offered through side letters, <i>inter alia</i> include variable Management Fee/Set-Up Expense/Operating Expenses/fee/charge structure, waiving of Compensatory Contribution etc.</p> <p>The non-commercial terms on which differential rights may be offered through side letters, <i>inter alia</i> include differential rights in the nature of information rights, right to have a seat on any governance committee, offering of co-investment rights etc.</p> <p>Any such differential rights mentioned hereinabove shall not have any</p>

		<p>impact on the economic rights or any other rights of other Investors.</p> <p>The terms on which differential rights shall not be offered, <i>inter alia</i> include preferential exit from the Fund, contributor giveback, contribution to indemnification and drawdown provided that such differential rights have the potential to impact other Contributors in a negative manner.</p>
<b>39.</b>	<b>TRUST / FUND DOCUMENTS</b>	<p>The Fund Documents shall constitute:</p> <ol style="list-style-type: none"> <li>the Indenture;</li> <li>Investment Management Agreement between the Trustee and the Investment Manager;</li> <li>Contribution Agreement of the respective Contributor;</li> <li>this Memorandum; and</li> <li>any other document that may be declared as Trust / Scheme Document by the Investment Manager.</li> </ol> <p>A copy of this Memorandum and the Contribution Agreement shall be shared with the prospective investors upfront, in a manner as directed by the prospective Contributor. Copies of the other Fund Documents shall be available for inspection by the prospective Contributors in the Fund. Any prospective Investor desirous of obtaining a copy of the Fund Documents should forward his request to the Investment Manager.</p> <p>It is clarified herein that if an Investor is desirous of obtaining copy of the Fund Documents, will not receive a copy of the Contribution Agreement (including any supplemental documents) that have been entered into with other Investors. However, the Investment Manager may at its discretion where considered necessary share the copy of the Contribution Agreement (including any supplemental documents) with certain Investors (particularly institutional investors) and shall take necessary steps to maintain confidentiality whilst sharing the same.</p> <p>If there is a conflict in the interpretation and / or consequence arising from the interpretation of expressions, terms, phrases or definitions amongst the Fund Documents, the Fund Documents shall be harmoniously read to give effect to such expressions, terms, phrases or definitions. To clarify, the principal terms as provided in the Contribution Agreement shall be in line with, and shall not go beyond, the terms provided in this Memorandum.</p>
<b>40.</b>	<b>LISTING</b>	<p>Units of the Fund may be listed on the stock exchange post the Final Closing and subject to the minimum tradable lot applicable in accordance with the Applicable Laws.</p>
<b>41.</b>	<b>AMENDMENTS AND WAIVERS</b>	<p>The Investment Manager may from time to time make any general amendment to this Memorandum, including amendments to the investment strategy, process and restrictions, as it considers necessary or</p>

		<p>desirable, provided however, such amendment process will be specified by the Investment Manager keeping in mind the requirements under the Regulations. The above illustration is merely indicative in nature and should not be construed as an exhaustive list of scenarios during which this Memorandum may be amended.</p> <p>All laws and regulations applicable to Fund's activities, may, at any time be amended, modified, repealed or replaced in a manner adverse or favourable to the interests of the Contributors. The Fund will, at all times, be subject to any such change in Applicable Law. The Trustee and Investment Manager shall carry out necessary amendments to any of the Fund Documents so as to confirm to such modifications in Applicable Law.</p>
42.	<b>CONFIDENTIALITY</b>	<p>The Contributor shall maintain the confidentiality of any information regarding the Trust and its Schemes, the Trustee, the Investment Manager, their respective affiliates and the Portfolio Entities and their affairs, received by the Contributor pursuant to the Contribution Agreement, as a result of its status as an investor to the Trust and its Schemes, except as otherwise required under Applicable Laws and Regulations, or as otherwise permitted by the Investment Manager.</p>
43.	<b>AUDITORS</b>	<p><i>To be appointed prior to the First Closing.</i></p>
44.	<b>GRIEVANCE REDRESSAL</b>	<p>The Investment Manager shall designate one of its personnel as the investor relation officer who shall seek to attend to and address any investor query/concern/grievance at the earliest. The Investment Manager will ensure that this official is vested with the necessary authority and independence to handle complaints received from the Investors.</p> <p>Any dispute unresolved by the above internal grievance redressal mechanism of the Investment Manager, may be submitted to arbitration under the Arbitration and Conciliation Act, 1996. The arbitration shall be held in accordance with the terms of the Contribution Agreement.</p> <p>Without prejudice to anything stated above, the Investor may further register its grievance/complaint through SCORES (SEBI Complaints Redress System) available at <a href="http://scores.gov.in">http://scores.gov.in</a>, post which SEBI may forward the complaint to the Investment Manager and the Investment Manager will suitably address the same. The Trust's SCORES registration number is AIF01019.</p>

## Supplementary Section

<b>1.</b>	<b>SUPER-MAJORITY OF CONTRIBUTORS</b>	<p>In respect of the Fund means such number of Contributors whose Capital Contributions in aggregate amount to at least 75% (seventy-five percent) of the aggregate of all Capital Contributions of the Fund, and in respect of the Trust shall mean such number of contributors whose capital contribution in aggregate amount to at least 75% (seventy-five percent) of the aggregate capital contributions under all existing Schemes, as per the Regulations (“<b>Super-Majority of Contributors</b>”).</p> <p>A vote of Super-Majority of Contributors is required for the following:</p> <ul style="list-style-type: none"> <li>(i) To approve winding up of the Fund;</li> <li>(ii) To approve the extension of limit for valuation by the valuer to once every 12 (twelve) months;</li> <li>(iii) To approve <i>in-specie</i> distribution by the Fund;</li> <li>(iv) To approve investments by the Fund in an Associate; and</li> <li>(v) To approve any material changes (i.e. changes in fundamental attributes of the Fund) in accordance with the Regulations.</li> </ul>
<b>2.</b>	<b>TWO-THIRD MAJORITY OF CONTRIBUTORS</b>	<p>In respect of the Fund means such number of Contributors whose Capital Contributions in aggregate amount to at least two-third of the aggregate of all Capital Contributions of the Fund, and in respect of the Trust shall mean such number of Contributors whose capital contribution in aggregate amount to at least two-third of the aggregate capital contributions under all existing Schemes, as per the Regulations (“<b>Two-Third Majority of Contributors</b>”).</p> <p>A vote of Two-Third Majority of Contributors is required for the following:</p> <ul style="list-style-type: none"> <li>(i) To extend the Term of the Fund; and</li> <li>(ii) To approve any material change in the investment strategy.</li> </ul>

## SECTION VIII: PRINCIPLES OF PORTFOLIO VALUATION

### I. Details of entity appointed as valuer of the Fund

The Fund will appoint an independent valuer as valuer prior to the first independent valuation of the Portfolio Entities of the Fund being carried out in accordance with the Fund Documents and the Regulations.

## **II. Frequency of valuation of Portfolio Entities**

The frequency of such valuation shall be once every 6 (Six) months. However, the Investment Manager may carry out such valuation once every 12 (Twelve) months, subject to the approval of Super-Majority of Contributors.

## **III. Valuation principles used by the Fund for valuation of Portfolio Entities**

The valuation principles to be used by the Trust/Fund for valuation of Portfolio Entities shall be finalized by the Investment Manager in consultation with the independent valuer.

# **SECTION IX: CONFLICTS OF INTEREST**

The conflicts of interest may arise in relation to the various activities carried out by the Interested Parties vis-à-vis the activities of the Fund. The Investment Manager has adopted certain policies and procedures intended to protect the interest of Investors in the Fund against any adverse consequences arising from potential conflicts of interest. The protection of the Investors' interests is Investment Manager's foremost priority. The conflict of interest situation may adversely affect the interest of the Contributors and the Contributor may lose its Capital Contribution due to such conflict of interest. The Contributor acknowledges the existence of risk arising out of conflict of interest.

The Interested Party(ies) shall exercise a standard of good faith in their dealings with the Fund and any of its Portfolio Entities. The Investment Manager will be transparent and make disclosures with respect to conflicts of interest situation that the Investment Manager determines may have arisen (or which seem likely to arise) between the Interested Parties and the Fund (or any of its Portfolio Entities).

The Investment Manager maintains and operates effective organisational and administrative arrangements with the view of taking all reasonable steps to identify, continuously monitor and manage conflicts of interest. Some of the potential conflicts of interest situations and the policies of the Investment Manager for managing conflicts of interest are provided below. It is not intended to provide a comprehensive list of conflicts of interest or account of the processes and procedures which the Investment Manager adopts in connection with the management of conflicts of interest, but is instead intended to be a statement of principles with which the Investment Manager seeks to manage foreseeable conflicts of interest.

All potential sources of conflicts of interests that the Investment Manager envisages during the operations of the Fund, which includes conflicts arising at following levels:



- At the level of employee of the management entity

The employees of the Investment Manager that provide services to the Fund will have, in addition to their responsibilities for the Fund, responsibilities for other companies, projects and clients. Accordingly, they may have conflicts of interests in allocating management time and other resources amongst the Fund and such other projects and clients.

- At the level of service providers of the Fund

The attorneys, accountants, professionals and other service providers, who perform services for the Fund may, and in some cases do, also perform services for the Interested Parties and their affiliates.

- At the level of the Investment Manager

There cannot be any assurance that an investment opportunity that comes to the attention of the Investment Manager will be referred or otherwise made available to the Fund. Investment opportunities identified by the Investment Manager may be suitable for the Fund as well as other funds or investment vehicles managed or advised by the Investment Manager and/or an Interested Party and/or their respective affiliates. There could be multiple portfolios under the management of the Investment Manager or by directors who are Interested Parties of other entities of the group of the Investment Manager, thereby representing possibility of conflict of interest in allocating investment opportunities amongst the various portfolios. The Investment Manager will endeavour to resolve any such conflicts in a reasonable manner taking into account such factors as it may consider relevant including investment strategy and objectives, investment policy, sector focus, deal size, regulatory and tax considerations, etc. However there can be no assurance that the Fund shall be allocated any particular investment opportunities that are identified by the Investment Manager. Furthermore, the Investment Manager shall have the right, at its discretion, to allocate any investment opportunities to other portfolios or to the Fund.

- At the level of the Investor

The Investors of the Fund, apart from investing in the Fund, may also hold investments in the companies where the Fund has also invested at the differential terms than that of the Fund. Such investment of the Investors may conflict with the investment of the Fund.

- At the level of members of various governance bodies

If the committees are constituted in connection the Fund, the members of such committee, in addition to their responsibilities for the Fund, will have responsibilities for other funds, projects

and clients. Accordingly, allocating management time and other resources among the Fund and such other funds, projects and clients can be a challenge.

- At the level of the Sponsors and Investment Manager group entity, in relation to various schemes managed by the Investment Manager

The Investment Manager, Sponsor/s and their affiliates, subject to Applicable Laws, may be involved in a variety of advisory, management and investment-related activities including management of other funds and intend to continue to do in the future. The Fund shall not have any rights in or to any cash receipts or profits of the Investment Manager, Sponsor/s, and any of their affiliates. The Investment Manager, Sponsor/s and any of their affiliate/group entities may, from time to time, act as investment managers or advisers to other entities, companies or funds other than the Trust/Fund. It is therefore possible that the Investment Manager, Sponsor/s and their affiliates may in the course of their activities have potential conflicts of interest inter-se different activities.

The Investment Manager may identify additional conflicts of interest situations from time to time, which will be managed/mitigated with the help of the principles identified herein and by also taking into account further processes which the Investment Manager may develop over the period of time. The following are the potential conflicts of interest situations that may arise:

- a) Investments in Portfolio Entities in which Interested Parties have Interests: The Investment Manager while acting as the investment manager of the Trust/Fund may from time to time effect transactions in securities issued by a Portfolio Entity that is otherwise a (i) client or (ii) investee company of any of the affiliate/associate/group companies of the Investment Manager or of the team of the Investment Manager. It may also effect transactions by the Fund in securities in which an affiliate/associate/group company may have a financial or other commercial interest at any time;
- b) Purchase from and sale of investments to Interested Parties: The Investment Manager may purchase investments from, or sell investments to Interested Parties. In such cases, conflicts may arise in determining the price and terms of the sale or purchase as the case may be;
- c) Board of Fund investment: As part of its investment methodology, the Investment Manager may require Portfolio Entities to grant to the Fund a seat on the boards of directors of such Portfolio Entities. The seat will be filled by a nominee of the Investment Manager. As a consequence, such persons will have fiduciary and other duties to the Portfolio Entity, which may conflict with the interests of the Fund;
- d) Conflict in case of warehousing: The Investment Manager, the Sponsor/s and/or their associates/affiliates may make Warehoused Investments in Portfolio Entities. The transfer of such Warehoused Investments to the Fund is expected to be at such price as the Investment

Manager may decide in accordance with this Memorandum, which may not necessarily reflect an accurate intrinsic value of the Warehoused Investment.

- e) Conflict in case of co-investment: Co-Investment by the eligible Contributors alongside the Fund is seen as a positive and motivating factor for such Contributors. The Investment Manager may, subject to Applicable Laws and the Fund Documents, offer co-investment opportunities in the Portfolio Entities of the Fund. This may give rise to conflicts of interest, inter alia, pertaining to allocation of investment opportunities between the Fund and any co-investors, possible dilution of the Fund's stake by virtue of any additional investment in the Portfolio Companies (including by way of co-investment), etc.

Some of the measures the Investment Manager will adopt to manage identified conflicts are set out below. The Investment Manager will take reasonable care that, in relation to each identified conflict, it acts independently to avoid material risk to the Investor interests.

- a) In managing the aforesaid conflicted transactions, the Investment Manager will have regard to its obligations under the Fund Documents pertaining to the Fund and will act in the best interests of the Investors in the Fund.
- b) The Investment Manager will make efforts to see that any transaction involving a potential conflict of interest will be effected on terms that are not less favourable to the Investors in the Fund than if the potential conflict had not existed. The Investment Manager will place significant emphasis on its strong compliance culture, and the efficient operation of systems and controls, to manage issues such as conflicts of interest.
- c) The Investment Manager will ensure that the interest of all the Investors is paramount and all personal interests, relationships or arrangements, including those of its affiliated companies/entities do not work against the Investors' interest.
- d) The Investment Manager will take appropriate measures intended to assure that it will not unfairly profit from any transaction between its affiliates/group companies/entities and the Fund and all such transactions shall strictly be done on an arm's length basis. The Investment Manager will use reasonable efforts to apportion or allocate investment opportunities among persons or entities to or with which they have fiduciary duties and other relationships on a basis that is as fair and equitable as possible to each of such persons or entities, including the Fund.
- e) The Interested Parties and their management personnel will devote so much of their time to the Fund as is, in their judgment, reasonably required.

## SECTION X: RISK FACTORS

AN INVESTMENT IN THE FUND INVOLVES CERTAIN CONSIDERATIONS THAT MAY HAVE A BEARING ON ITS INVESTMENTS. ACCORDINGLY, BEFORE DECIDING TO INVEST IN THE FUND, PROSPECTIVE INVESTORS SHOULD CAREFULLY STUDY THE RISKS DESCRIBED BELOW TOGETHER WITH ALL THE INFORMATION CONTAINED IN THIS MEMORANDUM, AND SEEK INDEPENDENT LEGAL, INVESTMENT AND TAX ADVICE. ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO THE INVESTMENT MANAGER, OR THAT IT CURRENTLY DEEMS IMMATERIAL MAY ALSO HAVE AN ADVERSE IMPACT ON THE FUND'S PROSPECTS AND INVESTMENT ACTIVITIES. THE INVESTMENT MANAGER WILL ENDEAVOUR TO MITIGATE RISKS IDENTIFIED IN THIS SECTION IN ACCORDANCE WITH THE PROVISIONS OF THIS MEMORANDUM.

INVESTORS SHOULD CONSIDER THE FUND AS A SUPPLEMENT TO AN OVERALL INVESTMENT PROGRAM AND SHOULD ONLY INVEST IF THEY ARE WILLING TO UNDERTAKE THE RISKS INVOLVED. AN INVESTMENT IN THE FUND INVOLVES CERTAIN RISKS THAT MAY NOT BE ASSOCIATED WITH OTHER INVESTMENT VEHICLES. THE RISKS LISTED IN THIS SECTION X ARE NOT MEANT TO BE AN EXHAUSTIVE LIST OF ALL POTENTIAL RISKS ASSOCIATED WITH AN INVESTMENT IN THE FUND.

### A. RISK FOR CERTAIN TYPE OF INVESTORS

<i>Type of Investor</i>	<i>Description of risks</i>
Small/individual Investors	The small/retail investors are subject to higher risk with respect to their small investment in the Fund. The large or institutional investors may be provided certain beneficial terms or rights by the Fund which might not be given to small/individual investors. Kindly refer risk titled " <i>Risk in relation to side letters that maybe entered into between Fund and certain investors</i> " under paragraph C(4) of this <b>SECTION X: RISK FACTORS</b> of the Memorandum. Further, the interest of such small/individual investors will not be represented on the advisory committee, if any.
Overseas Investors	The overseas investors are required to comply with FDI or FPI rules in respect of their investment in the Fund. Kindly refer to the risk titled " <i>Foreign investments in the Units of the Fund</i> " under paragraph J(4) in this <b>SECTION X: RISK FACTORS</b> of the Memorandum. Further, as the Units are to be denominated in Indian Rupees, the overseas investors will be subject to currency risk. Kindly refer to the risk titled " <i>Currency risk arising to offshore Investors</i> " in this Section.

Institutional Investors	An Institutional Investor may be restricted by its statute or governing document under which it is established to refrain from making investments in certain sectors/industries or types of securities. The Fund would generally have a common portfolio across all its Investors, except in certain limited situations as specified in this Memorandum. There is no assurance that the Fund will be able to make available separate portfolio for such restricted investments by the Institutional Investors. Further, where an Institutional Investor is a fund-of-fund, there may be limitation on availability of liquidity/distribution by the Fund at the time of end of life/term of such fund-of-fund. Further, there could be a situation where an Institutional Investor investing a significantly higher amount in the Fund could have superior rights, not otherwise available to other Institutional Investors.
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## **B. RISKS FOR THE TYPE OF SECURITIES/INSTRUMENT THE FUND MAY INVEST**

<i>Type of security</i>	<i>Nature of risk</i>
Equity and equity linked securities (including securities convertible into equity)	As a part of the investment objective of the Fund, investment will be made primarily in equity and equity linked securities of privately held Portfolio Entities. Generally, very little public information exists about these entities, and the Fund will be required to rely on the ability of the Investment Manager to obtain adequate information to evaluate the potential returns from investing in such entities. If the Fund is unable to uncover all material information about these companies, the Fund may not make a fully informed investment decision, and the Fund may lose money on the Fund Investments.

## **C. RISKS RELATED TO PORTFOLIO INVESTMENTS**

### *1. Risks associated with the nature of the portfolio investments.*

- Investment strategy largely focused on private companies

Investments will be made primarily in equity and equity linked capital of privately held companies. Generally, very little public information exists about these companies, and the Fund will be required to rely on the ability of the Investment Manager to obtain adequate information to evaluate the potential returns from investing in these companies. If the Fund is unable to uncover all material information about these companies, the Fund may not make a fully informed investment decision, and the Fund may lose money on the Fund Investments. Privately held companies generally have less diverse product lines and a smaller market presence than larger competitors. Thus, they are more vulnerable to

economic downturns and may experience substantial variations in operating results. These factors could affect the Fund's investment returns. In addition, the Fund's success depends, in large part, upon the abilities of the key management personnel of the Portfolio Entities, who are responsible for the day-to-day operations of the Portfolio Entities. Competition for qualified personnel is intense at any stage of a company's development. The loss of one or more key managers can hinder or delay a company's implementation of its business plan and harm its financial condition. The Portfolio Entities may not be able to attract and retain qualified managers and personnel. Any inability to do so may negatively affect the Fund's investment returns.

- Inability of Portfolio Entities to commercialize their technologies, products, business concepts or services

The value of the Fund Investments may decline if the Portfolio Entities are not able to commercialize their technology, products, business concepts or services. Additionally, although many of the Portfolio Entities may already have a commercially successful product or product line at the time of the Fund Investment, technology-related products and services often have a more limited market or life span than products in other industries. Thus, the ultimate success of these companies often depends on their ability to innovate continually in increasingly competitive markets. If they are unable to do so, the Fund's investment returns could be adversely affected. The Portfolio Entities may be unable to acquire or develop successful new technologies and the intellectual property they currently hold may not remain viable. Even if the Portfolio Entities are able to develop commercially viable products, the market for new products and services is highly competitive and rapidly changing. Neither the Portfolio Entities nor the Fund may have any control over the pace of technology development. Commercial success is difficult to predict, and the marketing efforts of the Portfolio Entities may not be successful.

- Need for follow-on capital

The Portfolio Entities may require significant amounts of capital. There can be no assurance that such capital will be available from public capital market or private sources. In particular, the cyclical nature of public markets may prevent Portfolio Entities from raising money in their particular industry sectors, despite attractive products or services. Failure of a Portfolio Entity to raise or otherwise secure the necessary follow-on capital to fund its operations, research and development, capital expenditures or other activities may require, among other things, the sale or liquidation of some or all of the assets of such Portfolio Entity at a loss or reduced valuation from the price paid by the Fund.

- Associate party transactions

The Investment Manager, the Sponsor/s and/or their associate may make Warehoused Investments in Portfolio Entities. The transfer of such Warehoused Investments to the Fund is expected to be at cost plus a fixed percentage or at such price as the Investment Manager may decide in accordance with this Memorandum. Further, while any compensation paid to the Investment Manager or Sponsor/s or their associates towards cost of Warehoused Investment is expected to be at market rates, such compensation shall generally be determined through negotiations with relevant parties and may not be on an arm's length basis. No part of such compensation paid to the Investment Manager or

Sponsor/s or their associates will be offset against Management Fee or Additional Return distributions payable to the Investment Manager or Sponsor/s in respect of the Fund.

2. Risks associated with the investment returns.

- No guarantee of investment returns

The Fund does not provide assurance that it will be able to identify, make and realize investments in any particular company or portfolio of companies. There can be no assurance that the Fund will be able to generate returns for its Investors or that the returns will commensurate with the risks of investing in the type of Portfolio Entities forming part of the investment strategy of the Fund. Accordingly, only Persons who can afford a complete loss of their principal amount invested in the Fund should consider an investment in the Fund.

- Future investments, inability to invest committed capital and competition from other funds

The activity of identifying, completing and realizing attractive investments is competitive and involves a high degree of uncertainty. The Fund will be competing for investments with other investment vehicles, as well as financial institutions and other Institutional Investors. Indian and non-Indian funds with similar investment objectives have been and may be formed in the future by unrelated parties. As a result, the Fund may face risks and uncertainties with respect to the selection of investments and Investors will be relying on the ability of the Fund, with the advice of the Investment Manager, to find and close suitable future investments using the proceeds of this offering. Due to the factors described above, it may take a long period for the Fund to invest and there is no assurance that the Fund will ever be able to fully invest the Capital Commitments or that suitable investment opportunities will be identified that satisfy the Fund's investment objective. If the Fund is unable to invest the Capital Commitments fully, the potential return to the Investors could be materially reduced.

3. Risk related to the exit by the Fund from the portfolio investments.

The feasibility and terms of any proposed exit strategy for the Fund in respect of its investments will depend in part on factors that are not within the control of the Fund, at the time of the proposed disposition and the effect of applicable legislation and political and economic conditions. Consequently, the precise timing of the disposition of an investment and the manner of disposition are impossible to predict, and no assurance can be given that such disposition will be achieved on terms favorable to the Fund. If the Fund is not able to exit from Fund Investments at the time of termination of the Fund, the Fund Investments may be distributed in-specie to the Investors.

4. Risk in relation to side letters that maybe entered into between Fund and certain investors.

The Investment Manager may enter into such Contribution Agreements or similar agreements (including side letters) pursuant to which the Investment Manager grants to certain Investors specific

rights, benefits or privileges that are not made available to other Investors generally and may not be disclosed to the other Investors who are not a party to aforesaid document/s. However, the Investment Manager shall not offer differential rights in the side letters which may have any impact on the economic rights or any other rights of other Investors.

5. Risk in relation to failure of the Fund to raise target corpus.

The implementation of Fund's investment objective and strategy largely depends upon the extent of capital raised by the Fund. In this Memorandum, the Investment Manager has stated the target corpus that the Fund is expected to raise over a period of time. If the Fund is unable to raise the targeted corpus, it may not be able to fully implement its investment strategy, thereby impacting the size and nature of investments that the Fund would pursue to realise investment objective.

6. Risk associated with the Fund investing with third parties.

The Fund may make investments along with co-investor or third-party. Such investments may involve risks not present in investments where such co-investor or third-party is not involved, including, for example, the possibility that a co-Investor/third-party may have financial difficulties or become bankrupt, or may at any time have economic interests or goals which are inconsistent with those of the Fund or may be in a position to take (or block) actions in a manner inconsistent with the Fund's objectives. The Fund may hold a non-controlling interest in certain investments and, therefore, may have a limited ability to protect its position in such investments.

7. Risk associated with lack of insurance by the Fund against certain events.

Uninsured losses could adversely affect the Fund's or Portfolio Entity's financial condition and result of operations. Various types of catastrophic losses, such as losses due to wars, riots, nuclear reaction, terrorist acts, earthquakes, floods hurricanes, pollution or environmental matters, generally are either uninsurable or not economically insurable or may be subject to insurance coverage limitation. In the event of such loss, the Fund's or Portfolio Entity's insurance coverage may not be sufficient to cover the full current market value or replacement cost of Fund Investments and/or its other assets, as applicable. Should an uninsured loss or a loss in excess of insured limits occur, the Fund could lose all or a portion of the capital it has invested in a Portfolio Entity.

8. Risk in relation to change in environment.

The Fund's investment program is intended to extend over a period of years, during which the business, economic, political, regulatory, and technology environment within which the Fund operates is expected to undergo substantial changes, some of which may be adverse to the Fund. The Investment Manager will have the exclusive right and authority (within limitations set forth in the Contribution Agreement) to determine the manner in which the Fund shall respond to such changes, and Investors generally will have no right to withdraw from the Fund or to demand specific modifications to the Fund's operations in consequence thereof. Investors are particularly cautioned that the investment



sourcing, selection, management and liquidation strategies and procedures exercised by persons associated with the Investment Manager in the past may not be successful, or even practicable, during the Term. Within the limitations set forth in the Contribution Agreement, the Investment Manager will have the right and authority to cause the Fund's investment sourcing, selection, management and liquidation strategies and procedures to deviate from those described in this Memorandum.

9. Risk in relation to counter party's actions or default with respect to the Fund.

Counterparties are third parties that enter into contracts either directly with the Fund or with any of its Portfolio Entities. The long-term financial performance of the Fund is partially dependent on the creditworthiness and performance of counterparties with regard to a variety of agreements and arrangements. If a counter party is unable or chooses not to meet its obligations, financial or otherwise, the Fund may be adversely impacted.

10. Risk in relation to change in control of parties in relation to the Fund.

The Fund's success depends, in large part, upon the abilities of the controlling parties of the Investment Manager, Trustee and Portfolio Entities, who are responsible for the day-to-day operations. Any change in control of the Investment Manager, Trustee and Portfolio Entities may hinder the performance of the Fund and adversely affect its financial condition. The Investment Manager may put restrictions on change in control of the Portfolio Entity by way of the agreement with Portfolio Entity.

11. Risk associated with the managerial role the Fund may play vis-à-vis a portfolio entity.

The Fund may designate members to serve on the supervisory board or boards of directors of Portfolio Entities. The serving on such bodies and/or designation of supervisory board members and of directors and other measures contemplated exposes the Fund to potential liability and exposes the assets of the Fund to claim by a Portfolio Entity, its security holders and its creditors.

12. Epidemics and Other Health Risks.

Many countries have experienced outbreaks of infectious illnesses in recent decades, including swine flu, avian influenza, SARS and the 2019-nCoV (the "COVID-19"). In December 2019, an initial outbreak of the COVID-19 was reported in Hubei, China. Since then, a large and growing number of cases have subsequently been confirmed around the world. The COVID-19 outbreak has resulted in numerous deaths and the imposition of both local and more widespread "work from home" and other quarantine measures, border closures and other travel restrictions, causing social unrest and commercial disruption on a global scale. The World Health Organization has declared the COVID-19 outbreak a global pandemic.

The ongoing spread of the COVID-19 has had, and will continue to have a material adverse impact on businesses, local economies in the affected jurisdictions and also on the global economy, as cross border commercial activity and market sentiment are increasingly impacted by the outbreak and

government and other measures seeking to contain its spread. In addition to these developments having adverse consequences for the Portfolio Entities and other issuers in or through which the Fund invests and the value of the Fund's investments therein, the operations of the Investment Manager and the Fund have been, and could continue to be, adversely impacted, including through quarantine measures and travel restrictions imposed in particular on key personnel or service providers of the Investment Manager, or any related health issues of such personnel or service providers. In addition, the Fund's operations could be disrupted if any member of the key investment team or any other key personnel of the Investment Manager contracts the COVID-19 and/or any other infectious disease. Geographical region in which the Fund will invest may not have developed rescue and rehabilitation facilities. In addition, the country may not efficiently and quickly recover from such event, which can have a materially adverse effect on the Portfolio Entities. Any of the foregoing events could materially and adversely affect the Fund's ability to source, manage and divest its investments and its ability to fulfill its investment objectives. Similar consequences may arise with respect to other comparable infectious diseases.

#### **D. RISK RELATED TO FUND STRUCTURE**

##### **1. Performance risks.**

The performance of the Fund will depend upon the performance of the Portfolio Entities. There can be no assurance that the Portfolio Entities will achieve profitable operations. The performance of the Portfolio Entities and the value of the Fund's interest in the Portfolio Entities may be adversely affected by numerous factors including, for example, (i) business, economic, and political conditions throughout India and the world; (ii) the supply of and demand for the goods, assets and services provided, or sold by Portfolio Entities; (iii) changes and advances in technology that may, among other things, render goods, assets and services sold by the Portfolio Entities obsolete; and (iv) actual and potential competition from other companies and countries. Certain Portfolio Entities may need substantial additional capital to support growth or to achieve or maintain a competitive position. Such capital may not be available on attractive terms or at all.

##### **2. Risk in relation to the ability of the Investment Manager to identify and structure investments and divestments.**

- **Key individuals**

The Investment Manager will be selecting suitable portfolio investments. A material adverse effect on the returns of the Fund may be created by the loss of one or more key personnel of the Investment Manager who are responsible for managing the Fund's portfolio. In case of loss of one or more key personnel of the Investment Manager, the Investment Manager would endeavor to introduce a competent person.

- **Management risk**

Investors have no authority to make decisions or to exercise investment discretion on behalf of the Fund. The authority for all such decisions is delegated to the Investment Manager. Accordingly, Investors must be prepared to entrust management of the Fund to the Investment Manager in accordance with the Regulations and Fund Documents.

- Screening and deal selection

The quality of investments is directly related to the ability of the Investment Manager to screen and select potential investment from large set of opportunities. Failure to do so will naturally result in low to negative returns.

- Decision making solely by the Investment Manager

The Investment Manager shall manage the assets of the Fund and will take its investments and divestments decisions exclusively. The Investors will not be able to make investment or other decisions in connection with the Fund. Therefore, judgments of the Investment Manager's expected performance cannot be extrapolated from the past performance of the Investment Manager. The Investment Manager may not be able to act as the investment manager of the Fund in an event the Investment Manager becomes ineligible to act as an investment manager of the Fund under Applicable Laws or Fund Documents. Therefore, the success of the Fund will depend upon the ability of the Investment Manager to source, select, complete and realize appropriate investments. With specific reference to the Fund, the Investment Manager will have considerable latitude in its choice of Portfolio Entities and the structuring of investments, subject to the investment parameters set forth in this Memorandum.

### 3. Concentration risk.

The Fund may have a limited number of investments and, as a consequence, the aggregate returns realized by the Investors may be adversely affected by the unfavorable performance of a small number of such investments. The investments may also involve geographic concentration in India and may be further concentrated in India, and hence an inability to diversify risk. Finally, since many of the investments may involve a high degree of risk, poor performance by a few of the investments could significantly affect the total returns to the Investors. The Investment Manager would strive to diversify the portfolio of the Fund, as much as possible, in order to mitigate the concentration risk.

### 4. Risk associated with reliance on forward looking statements/market data.

Certain information contained in the Memorandum constitutes "forward-looking statements" which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "target", "project", "estimate", "intend", "continue", "believe", or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the fund may differ materially from those reflected or contemplated in such forward-looking statements.

### 5. Risk associated with reliance on the Trustee, Investment Manager and other decision-making

committees (if constituted)

- Lack of control by Investors

Investors will not have an opportunity to evaluate the investments made by the Fund or the terms of any particular investment. The Investment Manager will generally manage the affairs of the Fund and accordingly the Investment Manager will have significant discretion in managing the Fund Investments. The rights and obligations of Investors will be subject to the limitations set forth in the Fund Documents and except for the rights specifically reserved to them by the Fund Documents and Applicable Law, the Investors will have no part in the management and control of the Fund.

- Dependence on the Investment Manager

The Fund's success depends on the skill and acumen of the Investment Manager, and more particularly the individuals involved in the decision making of the Investment Manager. If any of these individuals should cease to participate in the Investment Manager's activities, the Investment Manager's ability to select attractive investments for the Fund and manage its portfolio could be impaired. Further, the Investment Manager may devote a part of their time to other activities (including any additional fund vehicles or clients).

- Conflict of Interest

The Sponsor/s, the Investment Manager, and its directors and senior personnel will be subject to certain conflicts of interest situations. The Fund Documents contain certain mitigating factors against conflicts of interest faced by them and its members, but will not purport to address all types of conflicts that may arise. The conflicts will also be dealt by way of disclosures being made in accordance with the Regulations.

6. Risk associated with relying on third party service providers/intermediaries.

The Investment Manager might have to rely on the opinion/advise/action of the third party service providers/intermediaries while performing the functions of the Fund. The Investment Manager will not be liable for acting bonafide based on such advice. There may be circumstances whereby the Fund might suffer losses because of acting on the advice of such intermediaries.

7. Risk on account of default by Investors.

The Fund may experience difficulty in making up for a shortfall in capital from other sources should an Investor default occur. A default by one or more Investors could have an adverse effect on the Fund, its assets and the interest of other Investors. A Defaulting Contributor may be subject to significant financial consequences specified in the relevant Fund Documents.

8. Risks associated with restrictions on withdrawal/transfer and in-kind distribution.

- Restrictions on withdrawal and transfer

Investors are generally not permitted to withdraw from the Fund. In addition, they may not transfer any of the interests, rights or obligations with regard to the Fund except as may be provided in the Fund Documents with regard to the Fund, and in the Regulations.

- In-specie distribution

There may be circumstances where the Investment Manager deems appropriate to make in-specie distributions to Investors. Such distributions of in-specie assets shall be made in accordance with the provisions described in this Memorandum in relation to a distribution of assets in specie during the term of the Fund and/or at the time of dissolution of the Fund, and may have adverse Tax consequences that may not otherwise apply to an equivalent cash distribution. If an in-specie distribution is received by Investors from the Fund, the Investors may be subject to restrictions on disposal of securities so distributed and consequently may not be able to realize the full value of these securities.

#### 9. Risk associated with indemnity and Tax obligation of the Investors towards Fund parties.

The Fund Documents contain provisions that relieve the Investment Manager and other Indemnified Persons of liability for certain acts or omissions except on account of Malfeasance. An indemnity is provided to the Indemnified Persons against any Losses except to the extent such Losses resulted from the Indemnified Person's Malfeasance. Indemnification of the Indemnified Persons may impair the financial condition of the Fund and its ability to acquire assets or otherwise achieve its investment objective or meet its obligations.

Please find below various illustrations of when an indemnity may be invoked:

- a) The Investment Manager and/or Sponsor/s while carrying out its day to day functioning on behalf of the Fund, may face litigations, receive notices, face litigations by counterparties in terms of investment/third party contracts entered on behalf of the Fund etc.
- b) There may be practical scenarios whereby the Investment Manager and/or Sponsor/s, including the members of advisory board or any board or committee of the Investment Manager, may be made a party in a litigation/proceedings initiated/instituted by any Contributor, third party service providers, any statutory body etc. and in such matters the legal costs, expenses and other related costs will have to be recovered from the Fund.
- c) Where due to the complex nature of the Tax implications on investments/divestments by the Fund, there is ambiguity as to the applicable Tax and the Investment Manager proceeds basis an external tax opinion, which is later determined to be erroneous and resultantly any penalty is suffered by the Investment Manager, then the Investment Manager shall be entitled to seek indemnity for the same from the Fund.
- d) Any loss incurred by the Indemnified persons for any claim raised by a Tax authority against such Indemnified persons (in its capacity as the representative assessee) for any Tax liability of a foreign investor(s).

## **E. REGULATORY RISKS**

### **1. Risk associated with cancellation/suspension of SEBI certificate etc.**

The registration granted by SEBI to the Trust as an alternative investment fund may be cancelled or suspended by SEBI for any breach or non-compliance under Applicable Laws. SEBI may also take any other action as it deems appropriate. Such action/s may severely affect the operations of the Trust/Fund.

### **2. Risks of uncertainty around the legal framework in which the Fund operates in India and risk of litigation for the Fund.**

- **Indian legal system**

An elaborate and extensive judicial and quasi-judicial system exists in India. A separate civil and criminal system exists in each state with the highest court for each state being the High Court. Appeals from the High Courts are made to the Supreme Court of India, which is the highest judicial authority of the country. A clear framework for arbitration, through the Arbitration and Conciliation Act, 1996 also exists and provides for minimum court intervention in the arbitral process. Arbitration is generally preferred to courts as a means of dispute resolution as the backlog of cases in courts is often the cause for delays. Further, arbitration clauses in a contract are a matter of mutual agreement with the counter-parties, and the Investment Manager may or may not be able to negotiate an arbitration procedure, governing law and/or seat of arbitration, with a Portfolio Entity or other counter-party, which would provide speedy and effective remedies to the Fund in case of a dispute with such Portfolio Entities or other counter-parties. While Indian laws provide for specific performance of contractual obligations as well as claims for damages in the event of breach of contract, and contractual rights may be enforced through the aforementioned judicial or arbitral system, laws regarding the rights of creditors/shareholders are generally significantly less developed/settled in India than in the developed countries such as United States or the United Kingdom, and may be less protective of rights and interests of creditors/shareholders. It may be difficult to obtain swift and equitable enforcement of such laws through litigation or arbitration or to obtain enforcement of a judgment or arbitral award in a local court.

- **Litigation risks**

The Fund will be subject to a variety of litigation risks, particularly if one or more of the Fund Investments face financial or other difficulties during the Term of the Fund. Legal disputes involving the Fund, the Investment Manager, their respective members or any of their respective affiliate may arise from the foregoing activities and any other activities relating to the operation of the Fund and could have a significant adverse effect on the Fund.

- **Enforcement Risks; Non-availability of Creditor Protection Laws**

The enforcement of security that may be obtained in respect of the Fund's Investments will involve actions in

Indian courts or arbitral tribunals, and the Fund will be exposed to the delays in the Indian judicial system and arbitrations. In the normal course, such enforcement could take between seven to ten years. Further, the Fund would not qualify as a “secured creditor” under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests Act, 2002 (“SARFAESI”), unless the Fund’s Investments are made in listed secured debentures wherein the debenture trustee appointed for the debenture holders shall qualify as a “secured creditor”. Therefore, the Fund will not be entitled to the fast track enforcement process under SARFAESI unless it invests in listed secured debentures. Even where the Fund is eligible to undertake enforcement action under SARFAESI pursuant to investments in listed secured debentures, there is still no assurance that can guarantee that the Fund will be able to realise the full value of its collateral, due to, among other things, delays on Fund’s part in taking action to secure the property, delays in legal proceedings, inability to sell the property, diminution in the value of the property, economic downturns, defects in the perfection of collateral and fraudulent transfers by Portfolio Entity. The Fund will also not be entitled to the fast track debt recovery process under the Recovery of Debts Due to Banks and Financial Institutions Act, 1993. Therefore, even where security is created and perfected in favour of the Fund, enforcement will be time consuming. Even where the Fund is entitled to enforce security without intervention of court, it is difficult to take possession and dispose off such security as the Portfolio Entity or other obligors who have created security may obtain an injunction against enforcement actions. In such cases, the Fund will have to prove its claims against the Portfolio Entity or other obligors through a civil suit. Further, security provided by the Portfolio Entity and/or other obligors will be subject to the risk of insolvency of such persons. The Insolvency and Bankruptcy Code, 2016 (“Bankruptcy Code”) was notified on August 5, 2016 and has been amended from time to time. In case insolvency proceedings are initiated against a Portfolio Entity, the Fund may not have complete control over the recovery of amounts due to the Fund.

### 3. Other legal and regulatory risks.

The Fund will operate under Applicable Laws including the Foreign Exchange Management Act, 1999 (including rules/regulations made thereunder), SEBI Act, 1992 (including regulations made thereunder), Companies Act, 2013 (including rules/regulations made thereunder) etc., which provide for stringent conditions and compliances. If policy announcements or legal/regulatory changes occur subsequent to this offering, which require retrospective changes in the structure or operations of the Fund, these may adversely impact the performance of the Fund. Further, any investigations of, or actions against the Fund initiated by SEBI or any other Indian regulatory authority may impose a restriction of the investment activities of the Fund. The Fund may also be subjected to any investigation / inspection of its affairs by an officer appointed by SEBI, and in certain circumstances, the SEBI has the power to direct the Fund to divest assets, stop launching of any new schemes, restrain from disposing any assets, refund monies of Investors and also to stop operating in, or accessing the capital market for a specified period.

## **F. GENERAL RISK FACTORS**

### 1. Political, social and economic risk consideration in India

The value of the Fund Investments may be adversely affected by potential political and social uncertainties in India. Actions of the Government(s) and/ or respective state Government(s) in the future could have a significant effect on the economy, which could affect private sector companies and investment opportunities and the Fund’s market conditions and investments. Certain developments are beyond the control of the Investment Manager, such as the possibility of nationalization,

expropriations, confiscatory taxation, political changes, government regulation, social instability, terrorist activities, diplomatic disputes, legal developments or other similar developments, could adversely affect Fund Investments. India is a country which comprises diverse religious and ethnic groups. It is the world's most populous democracy and has a well-developed and stable political system. Ethnic issues and border disputes have, however, given rise to ongoing tension in the relations between India and Pakistan, particularly over the region of Kashmir, and between certain segments of the Indian population. Any exacerbation of such tensions could adversely affect economic conditions in India and consequently the Fund Investments. While fiscal and legislative reforms have led to economic liberalization and stabilization in India over the past two decades, the possibility that these reforms may be halted or reversed could significantly and adversely affect the value of investments in India. The Fund Investments could also be adversely affected by changes in laws and regulations or the interpretation thereof, including those governing anti-inflationary measures, rates and methods of taxation, and restrictions on currency conversion, imports and sources of supplies. Although India has experienced growth and is projected to undergo significant growth in the future, there can be no assurance that such growth will continue. Adverse economic conditions or stagnant economic development in India could adversely affect the value of the Fund Investments and ultimately affecting investments of the Investors.

2. Risk related to global financial conditions.

There may be a scenario of global slowdown or recession as happened in 2008-09 which may affect the functioning of the businesses in India and globally. In such an event the Fund may not be able to raise its targeted corpus or there may not be viable investment opportunities for the Fund, or the businesses of the Portfolio Entities may get adversely affected. Similar period of muted growth or recession can be observed by the global and domestic economy pursuant to the outbreak of COVID-19 pandemic.

3. Risk of bankruptcy of Portfolio Entities

Various laws enacted for the protection of creditors may operate to the detriment of the Fund if it is a creditor of a Portfolio Entity that experience financial difficulty. For example, if a Portfolio Entity becomes insolvent or files for bankruptcy protection, there is a risk that a court may subordinate the Fund Investment to other creditors. If the Fund holds equity securities in any Portfolio Entity that becomes insolvent or bankrupt, the risk of subordination of the Fund's claim increases.

4. Risk of segregation of assets between funds/schemes/trustees not being available in third party suits/regulatory actions with respect to the Fund

Although the Investment Manager shall ensure that the assets and liabilities of each Scheme is segregated, the Fund is subject to the provisions of the Indian Trusts Act, 1882. For the avoidance of doubt, 'Schemes' have no separate or distinct legal personality and in case of any third party claim against a particular Scheme and /or any monetary penalty being levied by any regulatory authority in India or overseas against any Scheme, there might be a scenario wherein the Fund shall have to bear



a portion (or in entirety) of the same considering that the Schemes are not ring-fenced and such claim / regulatory action shall be against the Trust.

5. Risk in relation to limited liquidity.

Although Fund's investments may generate current gains/income, investments will generally be illiquid due to number of uncontrollable and unpredictable factors. It may be difficult from time to time for the Fund to realize, sell or dispose of a Fund Investment at an attractive price or at the appropriate time or in response to changing market conditions or the Fund may otherwise be unable to complete a favourable exit. Further in most circumstances, losses on unsuccessful investments may be realized before the gains on successful investments are realized. The return of capital and the realization of gains, if any, will generally occur only upon the successful exit of an investment. It is generally expected that gains, if any, from investments will not be realized until a number of years after they are made. Liquidation of the Fund Investments will be at the discretion of the Investment Manager based upon the returns realized and not based upon the needs of Investors. Investors should therefore be aware that they may be required to bear the financial risk of their investment in the Fund for an undetermined period of time.

6. Risk in relation to accounting practices in relation to the Fund.

Accounting, financial and other reporting standards in India are not equal to those in more developed countries. A large majority of the investments by the Fund are likely to be made in unlisted companies in relation to which corporate governance and accounting standards are not at par with those in more developed countries. Further, differences may arise in such areas as valuation of properties and other assets, accounting for depreciation, deferred taxation, inventory obsolescence, contingent liabilities and foreign exchange transactions. The Investment Manager may implement internationally recognized policies and standards in order to mitigate accounting practices risk.

7. Governmental Intervention in Financial Markets.

Government may intervene in the finance sector, which can distort a country's financial markets. For example, governments may offer subsidized, high-default loan programs that cannot be sustained. As a result, the growth of Portfolio Entities may be limited by the scarce and uncertain supply of money from donors or governments. No assurances can be given that future changes in policy or regulation will not adversely impact the long-term sustainability of such Portfolio Entities.

## **G. TAX RELATED FACTORS**

1. General Anti – Avoidance Rules and its impact on the Fund/ Trust / its Investors/ Portfolio Investments and risks associated with it

The General Anti - Avoidance Rules ('GAAR') provisions provide that an arrangement whose main purpose is to obtain a tax benefit and which also satisfies at least one of the four specified tests (i.e. arrangement is not in arm's length, misuse or abuse of tax laws, lacks or is deemed to lack commercial substance or not carried out for bonafide purpose) can be declared as an "impermissible avoidance arrangement". Further, the GAAR provisions, if invoked, could override the treaty provisions. The provisions of GAAR would be applicable to any transaction undertaken on or after April 1, 2017. There is a risk that the Indian tax authorities could challenge any arrangement under the GAAR provisions and the rules thereunder, which could result in additional tax liabilities to the Fund / Trust / Investors.

2. Multilateral Convention to implement DTAA related measures to prevent Base Erosion and Profit Shifting ('MLI') and its impact on the Fund/ Trust / its Investors/ portfolio investments and risks associated with it

Prospective investors should be aware that on 7 June 2017, several countries signed a multilateral convention implementing tax treaty related measures arising from the OECD's "Action Plan on Base Erosion and Profit Shifting" or "BEPS" initiative. The effect of the multilateral convention will be to amend the terms of existing bilateral tax treaties between the signatory states (once ratified domestically by the relevant states) to introduce either a "principal purpose" or "limitation on benefits" restriction (or, in some cases, both) into the existing tax treaties in force between the signatory states. This could result in additional reporting and disclosure obligations for Investors and/or the Fund and/or additional Tax being suffered by the Investors, the Fund and/or Investments of the Fund, which may adversely affect the returns for Investors. Prospective investors should also note that, although the BEPS final reports were published on 5 October 2015, there is still considerable uncertainty surrounding the application of the recommendations made to investment fund vehicles such as the Fund/Scheme and how individual countries will seek to apply the principal purpose or limitation on benefits provisions to investment fund vehicles. The Union Cabinet of India issued a press release dated 12 June 2019 approving the ratification of the MLI to implement tax treaty related measures to prevent BEPS. The application of MLI to a tax treaty is dependent on ratification as well as positions adopted by both the countries signing a DTAA.

3. Risks associated with change in tax laws, including renegotiation of tax treaties, relevant to the Fund/ Trust and its Investors

Investors are subject to a number of risks related to tax matters. In particular, the tax laws and its interpretation relevant to the Fund are subject to change, and Tax liabilities could be incurred by Investors as a result of such changes. The tax consequences of an investment in the Fund are complex, and the full tax impact of an investment in the Fund will depend on circumstances particular to each Investor and the additional peculiarities associated with respect to activities of each portfolio entity. Further, the information relating to Indian taxation legislation contained in this memorandum is based on Indian domestic taxation law along with the rules and regulations made thereunder and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative, or judicial decisions. Any such changes, which could also be retroactive, could have an effect on the validity of the information stated herein. Accordingly, prospective investors are strongly urged to consult their tax advisors with specific reference to their own situations.

4. Change in administrative interpretation/ application of tax laws and attendant risks therefrom

Alternative tax positions adopted by the revenue authorities could give rise to incremental Tax liabilities in addition to the Tax amounts already discharged by Fund. Since, the Fund would distribute the surplus funds to the Investors, if the funds available with the Fund are insufficient to meet the additional Tax liability, the Trustees /Investment manager reserve the right to collect/recover the additional Tax liability from the Investors. The Finance Act, 2015 has introduced special tax regime for inter-alia Category II Alternative Investment Fund. As per the provisions of the Indian Income-tax Act, 1961 an alternative investment fund shall withhold taxes at 10% on income paid/credited to the resident investors and at rates in force for income paid/credited to the non-resident investors. Such a provision could lead to withholding tax on exempt income earned by the alternative investment fund. It is possible that the tax authorities may consider the activity of the Fund as a business activity and accordingly, even the gains received by the Fund on sale of securities may be characterized as business income, if considered as proceeds from a business activity. However, no further Tax would be payable by the Investor upon receipt of such income from the Fund on which Tax has been paid by the Fund. Further, Taxes, if any, owed by the Fund will be paid before any expenses of the Fund are paid or any distributions made to the Investors or redemptions of units are made and as a result, the Fund's ability to pay distributions or make any redemption may be impaired. Since, the Fund would distribute the surplus funds to the Investors, if the funds available with the Fund are insufficient to meet any future Tax liability, the Trustee reserves the right to collect/recover the Tax liability from the Investors.

## 5. Income Computation and Disclosure Standards ('ICDS')

Taxability of the income for all taxpayers, following mercantile system of accounting and offering its income to tax under the head 'Profits and gains from business and profession' and 'Income from other sources', needs to be analysed under the ICDS framework. The provisions of ICDS could affect the taxability as well as the timing of taxability of the income in the hands of the Fund and could lead to adverse tax consequences.

### Good and Services Tax

There is a risk that the GST authorities may seek to levy GST on all the expenses or sums debited to profit and loss account of the Fund. Further, there is a risk that the GST authorities may seek to levy GST on the Additional Returns distributed by the Fund to the Sponsor/s or their affiliates.

## H. CURRENCY RISKS

### 1. Currency risk arising to offshore Investors

There may be offshore investors investing the Fund, which will be subject to currency risk due to variation in value of currency. The offshore investors may lose value of their investment due to variation in exchange rate. The Investment Manager may adopt suitable currency hedging strategies to mitigate such risk. While such hedging arrangements would impose additional cost upon the Fund, they may not necessarily yield the desired benefit.

### 2. Currency risk arising from offshore investment by the Fund

The Fund will invest most of its assets in securities denominated in the Indian Rupee, though the Fund may invest in securities of enterprises in other countries. The value of Fund's assets will thus fluctuate with the exchange rate

when denominated in other currencies. The Fund will also be subject to various regulatory compliances affecting the overall performance of the Fund. The Investment Manager may adopt suitable currency hedging strategies to mitigate the risk. While such hedging arrangements would impose additional cost upon the Fund, they may not necessarily yield the desired benefit.

## **I. Additional Risks**

### **1. Factual statements/track record information**

Certain of the factual statements made in this Memorandum are based upon information from various sources believed by the Investment Manager to be reliable. The Investment Manager and the Fund have not independently verified any of such information and shall have no liability for any inaccuracy or inadequacy thereof. Except to the extent that legal counsel and tax advisor have been engaged solely to advise as to matters of law and tax, no other party (including legal and tax counsel to the Fund and the Investment Manager) has been engaged to verify the accuracy or adequacy of any of the factual statements contained in this Memorandum. In particular, neither legal counsel or tax advisor nor any other party has been engaged to verify any statements relating to the experience, track record, skills, contacts or other attributes of the members of the Investment Manager or to the anticipated future performance of the Fund. Investors are cautioned about the interpretation of track record and similar information relating to prior financial performance, whether contained in this Memorandum or otherwise. Direct comparisons of track record and similar information contained in this Memorandum with corresponding information in marketing and other materials relating to other funds may be misleading.

### **2. Definitive terms and conditions**

The terms and conditions set forth in the Contribution Agreement may vary materially from those described in this Memorandum due to negotiations between the Investment Manager and Investors and any side letter arrangements with Investors. Moreover, the Contribution Agreement will contain highly detailed terms and conditions, many of which are not described fully (or at all) in this Memorandum. Investors are urged to carefully review the Contribution Agreement, and must also be aware that, pursuant to the rules governing amendments set forth in the Contribution Agreement, certain types of amendments to the Contribution Agreement may be adopted with the consent of less than all Investors.

### **3. Legal counsel**

Documents relating to the Fund, including Contribution Agreement will be detailed and often technical in nature. Legal counsel to the Fund will represent the interests solely of the Investment Manager and the Fund and will not represent the interests of any Investor. Accordingly, each Investor is urged to consult with its own legal counsel before investing in the Fund or making any other decisions regarding Fund matters. In advising as to matters of law (including matters of law described in this Memorandum), legal counsel to the Fund has relied, and will rely, upon representations of fact made by the Investment Manager and other persons. Such advice may be inaccurate or incomplete if any such representations are themselves inaccurate or incomplete. Legal counsel to the Fund generally has not undertaken and will not undertake independent investigation with regard to such representations. Legal counsel's representation of the Investment Manager and the Fund is and will be limited to specific matters and will not address all legal or related matters that may be material to the Investment Manager or the Fund. Moreover, legal counsel has not undertaken to monitor the compliance of the Investment Manager or the Fund with any laws, regulations, agreements or other matters.

#### 4. Foreign investments in the Units of the Fund

The Trust may allow 'FDI' investment in the Units of the Fund i.e. investments by non- resident entity/person resident outside India in the Units of the Fund. If the Sponsor/s and/or Investment Manager are not owned and controlled by Indian resident citizens at the time the Fund makes investments, then the Trust/Fund would be subjected to certain investment restrictions and compliances which can reduce the investment flexibility of the Fund. For more information, refer to the Paragraph 4 titled "Foreign Investment Laws" under "SECTION XI: LEGAL, REGULATORY AND TAX CONSIDERATIONS" of this Memorandum.

The repatriation of money from India by a foreign Investor may also need to follow the requirements under the Applicable Laws, including obtaining necessary approval/s, if any.

#### 5. Termination of Units

Units may be terminated/redeemed/transferred in certain circumstances, including, among others, where the Investor ceases to be an Eligible Person, where the continued holding of such Units by an Investor could cause the Fund or the Investment Manager to violate Applicable Laws, to become subject to a material regulatory or other burden or to suffer material taxation or other economic disadvantages or where the Investor in question has breached any of the Fund Documents.

#### 6. Limited access to information

The rights of Investors to seek information with regards to Portfolio Entities will be specific and strictly limited. In particular, it is anticipated that the Investment Manager will obtain certain types of material information of Portfolio Entities that may not be disclosed to Investors primarily in order to comply with duties to such Portfolio Entities or otherwise to protect the interests of such Portfolio Entities or the Fund. Decisions by the Investment Manager to withhold such information may have adverse impact for Investors. Overall, Investors should not expect the Fund to be operated with the same degree of transparency as a publicly traded organization. However, the Investment Manager may reasonably provide to the Investors all such information which, in its sole opinion, is required to be disclosed to the Investors.

#### 7. Limited recourse to Investment Manager

The Fund Documents will limit the circumstances under which the Investment Manager or its affiliates can be held liable to the Fund/ Investors. As a result, Fund/Investors have very limited right of action only in certain cases than they would in the absence of such provisions.

#### 8. Dilution from additional closings

Holders of Units that are admitted or increase their Capital Commitments at any subsequent Closing will participate in existing Fund Investments, diluting the interests of existing holders of Units therein. Although such holders of Units will contribute their pro rata share of all previously drawn Capital Commitments (plus an amount as may be determined by the Investment Manager at its discretion), there can be no assurance that this payment will reflect the fair value of the Fund's existing investments.

#### 9. Lack of liquidity in IPO

A lack of liquidity in IPO opportunities for small and medium sized companies could lead to companies staying

longer in the Fund's portfolio as private companies still requiring funding. This situation may adversely affect the amount of available funding for small and medium sized companies. In the best case, such stagnation would dampen returns, and in the worst case, could lead to unrealized depreciation and realized losses as some companies run short of cash and have to accept lower valuations in private fundings or are not able to access additional capital at all.

#### *10. Valuations and review of Portfolio Entities*

Most of the Fund Investments will be highly illiquid and will most likely not be publicly traded or readily marketable. The Investment Manager, therefore, will not have access to readily ascertainable market prices when establishing valuations of the investments. While the Investment Manager will endeavor to determine and establish valuations of the Fund Investments based on the valuer's estimate of the market values of such investments and underwriting principles it considers to be sound, as a result of the illiquidity of a substantial portion of the investments, the Investment Manager can provide no assurance that any Fund Investment could be sold at a price equal to the market value ascribed to such investment in connection with valuer's valuation thereof.

#### *11. Contingent liabilities on disposition of Fund Investments*

In connection with the disposition of Fund Investments, the Fund expects to make customary representations. The Fund also may be required to indemnify the purchasers of such investments to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the Fund may establish reserves or escrow accounts. Investors may also be required to return amounts distributed to fund indemnity obligations. In addition, the Fund may sell Fund Investments in public offerings and such offerings can give rise to liability if the disclosure relating to such offerings proves to be inaccurate/incomplete.

#### *12. A slowdown in economic growth in India*

Performance and the quality and growth of business are necessarily dependent on the health of the Indian economy. The Indian economy had faced slowdown over the past few years. In the past, such economic slowdowns have harmed manufacturing and other industries. Any further slowdown in the Indian economy could affect the investments made. A significant change in the Indian Government or its economic liberalization and deregulation policies could disrupt businesses. The Government has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private-sector entities, including the Fund, and on market conditions. Although the Government has to-date continued India's economic liberalization and deregulation policies, it cannot be guaranteed that the same may continue in future. A significant change in government policies could harm business and economic conditions in India, ultimately affecting the performance of the Portfolio Entities and the Fund.

#### *13. Risks of natural disasters*

A natural disaster may also impact the operations of the Portfolio Entities. The nature and level of natural disasters cannot be predicted and may be exacerbated by global climate change. A portion of the Portfolio Entities may rely on items assembled or produced in areas susceptible to natural disasters, and may sell finished goods into markets susceptible to natural disasters. A major disaster, such as an earthquake, tsunami, flood or other catastrophic event could result in disruption to the business and operations of the Portfolio Entities.

## **SECTION XI: LEGAL, REGULATORY AND TAX CONSIDERATIONS**

THIS SECTION IS A SUMMARY OF CERTAIN LEGAL, REGULATORY AND TAXATION CONSIDERATIONS RELATING TO THE FUND AND IS NOT A COMPREHENSIVE DISCLOSURE REGARDING ALL APPLICABLE LAWS. THE LEGAL, REGULATORY AND TAX CONSIDERATIONS REFERRED UNDER THIS SECTION ARE SUBJECT TO CHANGE FROM TIME TO TIME.

IT IS THE RESPONSIBILITY OF ALL PERSONS INTERESTED IN SUBSCRIBING FOR THE UNITS TO INFORM THEMSELVES AS TO ANY INCOME OR OTHER TAX CONSEQUENCES ARISING IN THE JURISDICTIONS IN WHICH THEY ARE RESIDENT OR DOMICILED OR HAVE ANY OTHER PRESENCE FOR TAX PURPOSES, AS WELL AS ANY FOREIGN EXCHANGE OR OTHER FISCAL OR LEGAL RESTRICTIONS WHICH ARE RELEVANT TO THEIR PARTICULAR CIRCUMSTANCES IN CONNECTION WITH THE ACQUISITION, HOLDING OR DISPOSITION OF THE UNITS. THE FUND AND THE INVESTMENT MANAGER HAVE NO PRESENT PLANS TO APPLY FOR ANY CERTIFICATIONS OR REGISTRATIONS, OR TO TAKE ANY OTHER ACTIONS, UNDER THE LAWS OF ANY JURISDICTION (OTHER THAN REGISTRATION OF THE FUND WITH SEBI IN INDIA), WHICH WOULD AFFORD RELIEF TO INVESTORS OF SUCH JURISDICTION FROM THE NORMAL TAX / REGULATORY REGIME OTHERWISE APPLICABLE TO AN INVESTMENT IN THE UNITS OF THE FUND.

PLEASE NOTE THAT THE SUMMARY OF THE LEGAL, REGULATORY AND TAX CONSIDERATIONS IN THIS SECTION IS BASED ON THE CURRENT PROVISIONS OF THE LAWS OF INDIA, AND THE JUDICIAL AND ADMINISTRATIVE INTERPRETATIONS THEREOF AS AT MAY 31, 2022, WHICH ARE SUBJECT TO CHANGE OR MODIFICATION BY SUBSEQUENT LEGISLATIVE, REGULATORY, ADMINISTRATIVE OR JUDICIAL DECISIONS. ANY SUCH CHANGE COULD HAVE DIFFERENT LEGAL, REGULATORY AND TAX IMPLICATIONS.

### **1. Indian Trusts Act, 1882**

The Fund is a Scheme of the Trust that is set up as an irrevocable, contributory determinate trust under the Indian Trusts Act, 1882. The Trust at all times shall be subject to the provisions of Indian Trusts Act, 1882 and the Regulations. The Trustee has been appointed as the trustee of the Trust. The Trustee will have the powers and obligations as vested upon it under the Indenture. The Investment Manager shall

manage the assets of the Trust and the Fund in accordance with the Investment Management Agreement. The Contributors shall be the Unit holders of the Fund.

## **2. Indian Securities Laws**

### **A. SEBI (Alternative Investment Funds) Regulations, 2012**

#### **(a) Brief overview of SEBI (Alternative Investment Funds) Regulations, 2012**

The Regulations is a consolidated framework for registration and regulation of all kinds of AIFs that raise private pools of capital from high net worth individuals, banks, insurance companies, body corporates, estates, family offices, non-banking finance companies, societies, Hindu undivided families, corporations, partnerships (whether limited or unlimited), limited liability companies, body of individuals, associations, trusts, proprietorships, AIFs, foreign portfolio investors, institutional investors or any other institutions, entities or organizations.

The Regulations define an AIF to mean any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which, (i) is a privately pooled investment vehicle which collects funds from investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors; and (ii) is not covered under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, Securities and Exchange Board of India (Collective Investment Schemes) Regulations, 1999 or any other regulations of SEBI to regulate fund management activities. However, family trusts set up for the benefits of 'relatives' as defined under Companies Act, 2013; ESOP trusts set up under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 or as permitted under Companies Act, 2013; employee welfare trusts or gratuity trusts set up for benefit of employees; holding companies within the meaning of sub-section 46 of Section 2 of the Companies Act, 2013; other special purpose vehicles not established by fund managers, including securitization trusts, regulated under a specific regulatory framework; funds managed by securitisation company or reconstruction company which is registered with the RBI under Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, and any such pool of funds which is directly regulated by any other regulator in India have been excluded from the purview of the Regulations.

The Regulations provide that no entity or person shall act as an AIF unless it is registered with SEBI. The Regulations have categorised AIFs into three categories viz., Category I AIFs, Category II AIFs, and Category III AIFs. Category I AIFs have been further divided into sub-categories viz., venture capital funds, SME Funds, social venture funds, infrastructure funds and such other AIFs as may be specified by SEBI.

AIFs shall not have more than one thousand investors in a scheme Further, if the AIF is established in the form of a company, the provisions of the Companies Act, 2013 shall be applicable.



The Regulations defines Category II AIF as an AIF which does not fall in Category I AIFs and Category III AIFs and which does not undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in these Regulations. Further, AIFs such as 'private equity funds' (defined below) or 'debt funds' (defined below) for which no specific incentives or concessions are given by the government or any other regulator shall be included in Category II AIF. Regulations define a 'private equity fund' as an AIF that invests primarily in equity or equity linked instruments or partnership interests of 'investee company' (defined below) according to the stated objectives of the AIF. Regulations define 'debt funds' as an AIF that invests primarily in debt securities of listed or unlisted investee companies or in securitized debt instruments according to the stated objectives of the AIF. Regulations define 'investee company' to mean any company, special purpose vehicle or limited liability partnership or body corporate or real estate investment trust or infrastructure investment trust in which an AIF shall make an investment.

**(b) Key considerations associated with the Fund**

The Regulations prescribe that the raising of funds should be done strictly on a private placement basis through issuance of a placement memorandum/information memorandum (by whatever name called) by way of issue of units and the minimum investment that can be accepted by a Category II AIF from an investor, whether Indian, foreign or non-residents Indian is Indian Rupees One Crore; provided that in case of investors who are employees or directors of a Category II AIF or employees or directors of the Investment Manager, the minimum value of investment will be Indian Rupees Twenty-Five Lakhs. Further, the Regulations prescribe that placement memorandum should contain all material information about the Category II AIF and its investment manager, background of key investment team of the investment manager, targeted investors, fees and all other expenses proposed to be charged, tenure of the Category II AIF or scheme, conditions or limits on redemption, investment strategy, risk management tools and parameters employed, key service providers, conflict of interest and procedures to identify and address them, disciplinary history and other terms and conditions. Furthermore, in respect of any subsequent scheme(s) launched under the Trust, the placement memorandum/information memorandum of such scheme(s) should be filed with SEBI at least 30 (thirty) days prior to launch of such scheme(s) along with the specified fee. This Memorandum satisfies all the applicable requirements laid down under the Regulations.

**(c) General investment conditions**

- 1) AIFs may invest in securities of companies incorporated outside India subject to conditions/guidelines stipulated by RBI/SEBI from time to time;
- 2) The investment manager or sponsor cannot co-invest in an investee company on terms more favourable than those offered to the AIFs. Further, the terms of exit from the co-investment in an investee company including timing of exit shall be identical to the terms applicable to that of exit of AIF.

- 3) AIFs shall not invest in Associates or units of an AIF managed or sponsored by its manager, sponsor or associates of its manager or sponsor except with the approval of 75% (seventy-five percent) of investors by value of their investment in the AIFs;
- 4) AIFs may invest the un-invested portion of the investable funds and divestment proceeds pending distribution to investors in liquid mutual funds or bank deposits or other liquid assets of higher quality such as treasury bills, triparty repo dealing and settlement, commercial papers, certificates of deposits, etc. till deployment of funds as per the investment objective or distribution of the funds to investors as per the terms of the Fund Documents, as may be applicable; and
- 5) AIFs may act as nominated investor as specified in ICDR Regulations.

**(d) Key investment conditions applicable specifically to a Category II AIF**

- 1) Category II AIF shall invest in investee companies or in the units of Category I or other Category II AIF as may be disclosed in the Memorandum. Further, a Category II AIF shall invest primarily in unlisted companies directly or through investments in units of other AIFs;
- 2) AIF authorised under the Fund Documents to invest in units of AIFs shall not offer their units for subscription to other AIFs;
- 3) A Category II AIF shall not invest more than 25% (twenty-five percent) of its investable funds in one investee company, directly or through investment in the units of other AIFs;
- 4) A Category II AIF may not borrow funds directly or indirectly and shall not engage in leverage except for meeting temporary funding requirements for not more than 30 (thirty) days, not more than four occasions in a year and not more than 10% (ten percent) of the investable funds;
- 5) Notwithstanding point (4) above, Category II AIF may engage in hedging, subject to guidelines as specified by SEBI from time to time;
- 6) A Category II AIF may enter into an agreement with merchant banker to subscribe to the unsubscribed portion of the issue or to receive or deliver securities in the process of market making under Chapter XB of the ICDR Regulations;
- 7) A Category II AIF shall be exempt from regulation 3(1), 3(2) and 4(1) of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 in respect of investment in companies listed on SME Exchange or SME segment of an exchange pursuant to due diligence of such companies subject to the following conditions:
  - a) Category II AIF shall disclose any trading in securities pursuant to such due-diligence, within 2 (two) working days of such trading, to the stock exchanges where the investee company is listed;
  - b) such investment shall be locked in for a period of 1 (one) year from the date of investment.

**(e) Continuing commitment of the investment manager and/or the sponsor**

As stated in the AIF Regulations, there shall be a continuing interest in the Category II AIF of not less than two and half per cent of the corpus or Indian rupees five crore, whichever is lower, in the form of investment in the Category II AIF and such interest shall not be through the waiver of management

fees. Such interest may be maintained pro-rata to the amount of funds raised (net) from other investors in the AIF.

**(f) Tenure of the Fund and conditions for winding up**

A Category II AIF shall be close ended and is required to have a minimum tenure of 3 (three) years. The tenure of the Fund shall be as specified in the Memorandum and shall commence from the Final Closing as mandated by SEBI vide circular no. CIR/IMD/DF/7/2015 dated October 01, 2015. The tenure of a Category II AIF may be extended up to 2 (two) years subject to approval of two-third of the unit holders by value of their investment in AIF.

**I. AIF set up as a trust, shall be wound up in the event of the following conditions:**

- 1) when the tenure of the AIF or all schemes launched by the AIF, as mentioned in the private placement memorandum is over; or
- 2) if it is the opinion of the trustee, that the AIF be wound up in the interests of investors in the units; or
- 3) if 75% (seventy-five percent) of the investors by value of their investment in the AIF pass a resolution at a meeting of unitholders that the AIF be wound up; or
- 4) if SEBI so directs in the interests of investors.

**II. Where the AIF is set up as a limited liability partnership, only sub-clause (1), (3) and (4) of clause I above, will be applicable and such AIF shall be wound up in accordance with the provisions of the Limited Liability Partnership Act, 2008.**

**III. An AIF set up as a company shall be wound up in accordance with the provisions of the Companies Act, 2013.**

**(g) Reporting obligations**

**1) General reporting obligations**

Category II AIFs shall ensure transparency and shall make the following disclosures to investors:-

- a. financial, risk management, operational, portfolio, and transactional information regarding fund investments shall be disclosed periodically to the investors;
- b. any fees ascribed to the manager or sponsor; and any fees charged to the AIF or any investee company by an associate of the manager or sponsor shall be disclosed periodically to the investors;
- c. any inquiries/ legal actions by legal or regulatory bodies in any jurisdiction, as and when occurred;
- d. any material liability arising during the AIF's tenure shall be disclosed, as and when occurred;

- e. any breach of a provision of the placement memorandum or agreement made with the investor or any other fund documents, if any, as and when occurred;
- f. change in control of the sponsor or manager or investee company.
- g. any significant change in the key investment team shall be intimated to all investors;
- h. AIFs shall provide, when required by SEBI, information for systemic risk purposes (including the identification, analysis and mitigation of systemic risks).

## 2) Annual reporting obligations

Category II AIFs shall provide at least on an annual basis reports to investors containing the following information, within 180 (one hundred and eighty) days from the end of the year:

- i. financial information of investee companies.
- ii. material risks and how they are managed which may include:
  - a. concentration risk at fund level;
  - b. foreign exchange risk at fund level;
  - c. leverage risk at fund and investee company levels;
  - d. realization risk (i.e. change in exit environment) at fund and investee company levels;
  - e. strategy risk (i.e. change in or divergence from investment strategy) at investee company level;
  - f. reputation risk at investee company level;
  - g. extra-financial risks, including environmental, social and corporate governance risks, at fund and investee company level.

## 3) Other disclosure obligations

- a. The manager and sponsor of the AIF shall disclose their investment in the AIF to its Investors; and
- b. The manager and sponsor of the AIF shall act in a fiduciary capacity towards its Investors and shall disclose to the Investors, all conflicts of interests as and when they arise or seem likely to arise.
- c. The manager shall comply with requirement of compliance test report as specified in SEBI Circular no.CIR/IMD/DF/14/2014 dated June 19, 2014.

### **(h) Alteration in strategy of the Fund**

An AIF shall obtain the consent of at least two-third of its unit holders by value of their investment in the AIF prior to any material alternation in its investment strategy.

### **(i) Alteration in category of the Fund**

AIF may change its category subsequent to receipt of the registration from SEBI, with prior approval of SEBI. Vide Circular no. CIR/IMD/DF/12/2013 dated August 07, 2013 issued by SEBI, an AIF that has not made any investment under the category in which it was registered with SEBI earlier is allowed to make an application to SEBI for change in category. The trust is required to make an application in Form A to SEBI along with application fees of Rs. 1,00,000 (Indian Rupees One Lakh) stating rationale for the change proposed in AIF category. If the AIF has raised funds prior to application for change in category, the AIF shall be required to send letters/emails to all its investors providing them the option to withdraw their commitments/ funds raised without any penalties/charges. Any fees collected from investors seeking to withdraw commitments/ funds shall be returned to them. Partial withdrawal may be allowed subject to compliance with the minimum investment amount required under the Regulations. The AIF shall not make any investments other than in liquid funds/ banks deposits until approval for change in category is granted by SEBI. On approval of the request from SEBI, the AIF shall send a copy of the revised placement memorandum and other relevant information to all its investors.

**(j) Valuation**

An AIF shall provide to its investors, a description of its valuation procedure and of the methodology for valuing assets. A Category II AIF shall undertake valuation of its investment, at least once in every six months by an independent valuer appointed by the AIF. However, such period of six months can be enhanced to one year with prior approval of at least 75% (seventy-five percent) of the investors by value of their investment in the AIF.

**(k) Material changes to the placement memorandum**

In cases of material changes (i.e. changes in the fundamental attributes of the AIF) significantly influencing the decision of the investor to continue to be invested in the AIF, an exit process as prescribed under the SEBI Circular CIT/IMD/DF/14/2014 dated June 19, 2014 is required to be complied with. Such changes shall include, but not be limited to the following:

- a. Change in sponsor/investment manager (not including an internal restructuring within the group)
- b. Change in control of sponsor/investment manager
- c. Change in fee structure or hurdle rate which may result in higher fees being charged to the unit holders.

If at least 75% (seventy-five percent) of the investors by value of their investments in the AIF approve changes mentioned in sub-clause (a) and (b) above, the exit process as prescribed under the above stated circular is not required to be complied with.

In terms of the above circular, the following process is required to be followed by the AIF:

1. Existing unit holders who do not wish to continue post the change shall be provided an exit option. The unit holders shall be provided not less than one month for expressing their dissent.
2. The exit option shall be provided by buying out of units of the dissenting investors by the investment manager/any other person as may be arranged by the investment manager.

3. Prior to buying out of such units, valuation of the units shall be undertaken by 2 (two) independent valuers and the exit shall be at value not less than average of the two (two) valuations.
4. The responsibility to provide exit to the dissenting investors shall be on the manager. The expenses for the entire process shall be borne by the manager/sponsor/proposed new manager or sponsor and shall not be charged to the unit holders.
5. The entire process of exit to dissenting investors shall be completed within 3 months from the date of expiry of last date of the offer for dissent.
6. The trustee of AIF (in case AIF is a trust)/ sponsor (in case of any other AIF) shall be responsible for overseeing the process, ensuring compliance and regularly updating SEBI on the developments.

**(I) Overseas investments by an AIF**

Under Regulation 15(1)(a) of the Regulations, an alternative investment fund may invest in securities of companies incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the RBI and SEBI from time to time.

In this regard, RBI vide its A.P.(DIR Series) Circular No.48 dated December 09, 2014 has permitted AIFs, registered with SEBI, to invest overseas in terms of the provisions issued under the A.P. (DIR Series) Circulars No. 49 and 50 dated April 30, 2007 and May 04, 2007 respectively.

SEBI vide Circular CIR/IMD/DF/7/2015 dated October 1, 2015, Circular SEBI/HO/IMD/DF1/CIR/P/2018/103/2018 dated July 3, 2018 and Circular SEBI/HO/IMD/DF6/CIR/P/2021/565 dated May 21, 2021 has issued the following guidelines on overseas investments by an AIF:

- a. AIFs may invest in equity and equity linked instruments only of off-shore venture capital undertakings, subject to overall limit of USD 1500 million (combined limit for AIFs and Venture Capital Funds registered under the SEBI (Venture Capital Funds) Regulations, 1996).
- b. AIFs desirous of making investments in offshore venture capital undertakings shall submit their proposal for investment to SEBI for prior approval. It is clarified that no separate permission from RBI is necessary in this regard.
- c. For the purpose of such investment, it is clarified that “Offshore Venture Capital Undertakings” means a foreign company whose shares are not listed on any of the recognized stock exchange in India or abroad.
- d. Investments would be made only in those companies, which have an Indian connection (e.g. company which has a front office overseas, while back office operations are in India).
- e. Such investments shall not exceed 25% (twenty-five percent) of the investable funds of the scheme of the AIF.
- f. The allocation of investment limits would be done on ‘first come – first serve’ basis, depending on the availability in the overall limit of USD 1500 million.

- g. In case an AIF that is allocated certain investment limit, wishes to apply for allocation of further investment limit, the fresh application shall be dealt with on the basis of the date of its receipt and no preference shall be granted to it in fresh allocation of investment limit.
- h. The AIF shall have a time limit of 6 (six) months from the date of approval from SEBI for making allocated investments in offshore venture capital undertakings. In case the applicant does not utilize the limits allocated within the stipulated period, SEBI may allocate such unutilized limit to other applicants.
- i. AIF shall report the utilization of the allocated investment limits within 5 (five) working days of such utilization on SEBI intermediary portal. In an event, the AIF has not utilized the allocated investment limits granted by SEBI within 6 (six) months from the date of SEBI approval ("Validity Period"), the same shall be reported within 2 (two) working days after expiry of the Validity Period. In the event, AIF has not utilized a part of allocated investment limit within the Validity Period, the same shall be reported within 2 (two) working days after the expiry of the Validity Period.
- j. These investments would be subject to Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 including amendments thereof and related directions issued by RBI from time to time.
- k. AIFs shall not invest in joint venture/wholly owned subsidiary while making overseas investments.
- l. AIFs shall adhere to FEMA Rules and other guidelines specified by RBI from time to time with respect to any structure which involves Foreign Direct Investment (FDI) under Overseas Direct Investment (ODI) route.
- m. AIFs shall comply with all requirements under RBI guidelines on opening of branches/subsidiaries/joint venture/undertaking investment abroad by NBFCs, where more than 50% of the funds of the AIF has been contributed by a single NBFC.

**(m) Code of Conduct**

- a. AIF, key management personnel of the AIF, trustee, trustee company, directors of the trustee company, designated partners or directors of the AIF, as the case may be, managers and key management personnel of managers shall abide by the Code of Conduct as specified in the Fourth Schedule of the Regulations.
- b. The manager and either the trustee or trustee company or the board of directors or the designated partners of the AIF, as the case may be, shall ensure compliance by the AIF with the Code of Conduct as specified in the Fourth Schedule of the Regulations.
- c. All AIFs shall review the policies and procedures laid down in terms of the Regulations, other internal policies, if any, and their implementation, on a regular basis or as a result of business developments, to ensure their continued appropriateness.
- d. The manager shall be responsible for every decision of the AIF, including ensuring that the decisions are in compliance with the provisions of the Regulations, terms of the fund documents and applicable laws.

- e. The manager shall be responsible for ensuring that every decision of the AIF is in compliance with the policies and procedures laid down for the AIF and other internal policies of the AIF, as applicable.

**(n) Stamp duty payable under the Indian Stamp Act, 1899**

The Finance Act, 2019, had introduced amendments in the Indian Stamp Act, 1899 (“the Act”) to, inter alia, bring uniformity in the levy of stamp duty on ‘securities’, whether in physical or dematerialised form. The Part I of Chapter IV of the Finance Act 2019 related to amendments to the Act.

The Ministry of Finance (“MoF”) pursuant to notification no. S.O. 4419(E) dated December 10, 2019 had initially appointed January 9, 2020 as the date on which the amendments to the Act shall come into force. Vide notification no. S.O. 115(E) dated January 8, 2020, the MoF appointed April 1, 2020 as the day amendments to the Act shall come into force. Further, vide notification no. S.O. 1226(E) dated March 30, 2020, the MoF appointed July 1, 2020 as the day amendments to the Act shall come into force.

Vide notification G.S.R. 901(E) dated December 10, 2019, the MoF had notified the Indian Stamp (Collection of Stamp Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019 (“the Rules”) to inter alia regulate the centralised mechanism for the collection of stamp duty across India. The Rules were initially to come into force from January 9, 2020. Pursuant to notification no. G.S.R. 19(E) dated the January 8, 2020, the MoF appointed April 1, 2020 as the day the Rules shall come into force. Further, vide notification no. G.S.R. 226(E) dated March 30, 2020, the MoF appointed July 1, 2020 as the day the Rules shall come into force.

SEBI has, vide circular SEBI/HO/IMD/DF6/CIR/P/2020/113 dated June 30, 2020, directed all AIFs to comply with the provisions of the Act and the Rules and inter alia has directed all AIFs to appoint registrars to an issue and/or share transfer agents (“RTA”) registered with SEBI. The RTA shall be deemed as a ‘depository’ for the limited purposes of acting as a ‘collecting agent’ under the Act and the rules made thereunder, in cases of instruments of transaction otherwise than through a recognised stock exchange or depository.

Further, on July 1, 2020, SEBI has issued “Frequently Asked Questions (FAQs) on Indian Stamp Act, 1899 Amendments and Rules made thereunder”. As per answer to question 18 in the FAQs, the RTA shall be responsible to transfer the collected stamp duty to the respective States/Union Territories in India based on the buyer-based principle i.e. on the basis of place of residence/registered office of the Contributor, in accordance with Section 9A(4) of the Act. As per answer to question 19 in the FAQs, in case of sale, transfer and issue of Units in demat mode through a recognised ‘stock exchange’ as defined under Securities Contracts (Regulation) Act, 1956 or ‘depository’ as defined under Depositories Act, 1996, the stock exchange/clearing corporation or depository would be required to collect the applicable stamp duty.

Thus, with effect from July 1, 2020, a stamp duty at the rate of 0.005% of the market value of Units would be levied on issue of Units and a stamp duty at the rate of 0.015% of the



consideration amount would be levied on any transfer of Units. No stamp duty is payable in respect of redemption of Units.

In case of issue of Units, the onus to pay stamp duty is upon the Fund (being the issuer of Units).

In the case of transfer of Units, the onus to pay stamp duty is upon the transferor of Units. As per answer to question 20 in the FAQs, when the transferee approaches RTA for effecting the transfer in its books, the RTA will collect the stamp duty from the transferor of Units before effecting the transfer which will then be remitted by the RTA to the state/union territory of domicile of the transferee.

#### **(o) Co-investment**

Vide the fifth amendment to the AIF Regulations, opportunity to co-invest alongside the fund has been extended to investors of Category I & II AIFs only.

Regulation 2(1)(fa) of the Regulation defines ‘Co-investment’ to mean an investment made by a Manager or Sponsor or investor of Category I & II AIF in an investee company where such Category I & II AIF make investment. Provided that co-investment by investors of AIF shall be through a Co-investment Portfolio Manager as specified under SEBI (PMS) Regulations, 2020.

- Co-investment shall be limited to investments into unlisted securities of only such investee companies where a Category I & II AIF has invested.
- Such co-investment can only be facilitated through the “Co-investment Portfolio Manager” (“CPM”) license which is an additional registration that investment managers of Category I & II AIFs wishing to offer co-investment opportunities to AIF investors will have to seek from SEBI under the SEBI (PMS) Regulations.
- The AIF investment manager cannot offer advisory services to any investor other than the co-investments permitted to be offered by it as a CPM to AIF investors, for investment in securities of investee Companies where the AIF makes an investment.
- Certain additional requirements have been prescribed with respect to the co-investment offering terms:
  - (a) terms of co-investment in an investee company shall not be more favourable than the terms of investment by the AIF;
  - (b) terms of exit from the co-investment (including timing of exit) in an investee company shall be identical to the terms applicable to that of exit by the AIF; and
  - (c) early withdrawal of funds by the co-investors in an investee company shall be allowed only to the extent that the AIF has also made an exit from such investee company.

CPM has been introduced as a new category of Portfolio Manager under the PMS Regulations where only investment managers of Category I & II AIFs can register. The following key exemptions, inter alia, have been granted to CPMs versus a regular portfolio manager under PMS Regulations:

- (a) Investment team member of the AIF manager meeting the criteria of key investment team under AIF Regulations can act as Principal Officer;

- (b) Net-worth requirement of INR 5 crore for the portfolio manager and minimum amount of investment of INR 50 lakhs by a client shall not be applicable with respect to a CPM;
- (c) Appointment of custodian has been exempted. However, SEBI has clarified that the requirement of appointment of custodian as provided under Regulation 20(11) of AIF Regulations, shall be applicable if the sum of corpus of the AIF and the value of the Co-investment managed by the Manager of the AIF as Co-investment Portfolio Manager is more than five hundred crore rupees.
- (d) No need for additional employees other than Principal Officer/Compliance Officer (Principal officer is also permitted to additionally act as the compliance officer).

## **B. SEBI Regulations on Initial Public Offerings, Private Placements**

This Section summarises some of the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations"), which will apply in the event that the Fund makes an investment before the initial public offering ("IPO") of a Portfolio Entity or subscribes to the securities of the company by way of a preferential allotment or a Qualified Institutions Placement ("QIP"), subject to Applicable Laws. The Trust being an AIF, will be a qualified institutional buyer (QIB) for the purposes of ICDR Regulations. The ICDR Regulations replaced the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), Regulations 2009, and were notified by SEBI on September 11, 2018. The ICDR Regulations are, inter alia, applicable to public issues by listed and unlisted companies, all offers for sale and rights issues by listed companies, preferential issues, QIPs.

### **Eligibility norms, compliances and key regulatory requirements**

- I. The ICDR Regulations permit companies to make an IPO of equity shares or convertible securities upon the satisfaction of certain conditions, which include the following:
  - Pre-issue net tangible assets of at least Rs. 3,00,00,000 (Indian Rupees Three Crore), calculated on a restated and consolidated basis, in each of the preceding 3 (three) full years (of 12 (twelve) months each) of which not more than 50% (fifty percent) is held in monetary assets. Provided that if more than 50% (fifty percent) of the net tangible assets are held in monetary assets, the issuer has utilized or made firm commitments to utilize such excess monetary assets in its business or project; provided further that the limit of 50% (fifty percent) on monetary assets shall not be applicable in case the IPO is made entirely through an offer for sale.
  - The issuer company has an average operating profit at least Rs. 15,00,00,000 (Indian Rupees Fifteen Crore), calculated on a restated and consolidated basis, during the 3 (three) preceding years (of 12 (twelve) months each), with operating profit in each of these preceding three years.

- The issuer company has a net worth of at least Rs. 1,00,00,000 (Indian Rupees One Crore) in each of the preceding 3 (three) full years (of 12 (twelve) months each), calculated on a restated and consolidated basis.
  - If the company has changed its name within the last 1 (one) year, at least 50% (fifty percent) of the revenue, calculated on a restated and consolidated basis, for the preceding 1 (one) full year has been earned by it from the activity indicated by the new name.
- II. As per the ICDR Regulations an unlisted company, which does not comply with any of the conditions specified above, may make an IPO of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if the issue is made through the book-building process and the issuer company undertakes to allot, at least 75% (seventy five percent) of the net offer to qualified institutional buyers and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers.
- III. If an issuer has issued SR equity shares (equity shares of an issuer having superior voting rights compared to all other equity shares issued by that issuer) to its promoters/ founders, the said issuer shall be allowed to do an initial public offer of only ordinary shares for listing on the main board subject to compliance with the provisions of Chapter II of the ICDR Regulations and as per the clauses mentioned below:
- (i) the issuer shall be intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition.
  - (ii) the SR shareholder shall not be part of the promoter group whose collective net worth is more than Rs. 500 crores.  
  
Explanation: While determining the collective net worth, the investment of SR shareholder in the shares of the issuer company shall not be considered.
  - (iii) The SR shares were issued only to the promoters/founders who hold an executive position in the issuer company;
  - (iv) The issue of SR equity shares had been authorized by a special resolution passed at a general meeting of the shareholders of the issuer, where the notice calling for such general meeting specifically provided for –
    - (a) the size of issue of SR equity shares,
    - (b) ratio of voting rights of SR equity shares vis-à-vis the ordinary shares,
    - (c) rights as to differential dividends, if any

- (d) sunset provisions, which provide for a time frame for the validity of such SR equity shares,
    - (e) matters in respect of which the SR equity shares would have the same voting rights as that of the ordinary shares
  - (v) The SR equity shares have been held for a period of at least 6 months prior to the filing of the red herring prospectus;
  - (vi) The SR equity shares shall have voting rights in the ratio of a minimum of 2:1 upto a maximum of 10:1 compared to ordinary shares and such ratio shall be in whole numbers only;
  - (vii) The SR equity shares shall have the same face value as the ordinary shares;
  - (viii) The issuer shall only have one class of SR equity shares;
  - (ix) The SR equity shares shall be equivalent to ordinary equity shares in all respects, except for having superior voting rights.
- IV. No unlisted company shall be allowed to make an initial public offer under the ICDR Regulations if there are any outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares.
- Provided that the above shall not apply to:
- a) outstanding options granted to employees, whether currently an employee or not, pursuant to an employee stock option scheme framed in accordance with the Companies Act, 2013, relevant guidance note or accounting standards, if any, issued by the Institute of Chartered Accountants of India or pursuant to the Companies Act, 2013, in this regard;
  - b) fully paid-up outstanding convertible securities which are required to be converted on or before the date of filing of the red herring prospectus (in case of book-built issues) or the prospectus (in case of fixed price issues), as the case may be.
- V. An issuer company shall not make an allotment pursuant to a public issue in terms of the ICDR Regulations if the number of prospective allottees is less than 1000 (one thousand).
- VI. Pricing: An issuer company may determine the price of its equity shares or any securities convertible at a later date into equity shares in consultation with the lead manager(s) for the issue (i.e. fixed price route) or through the book building process.

- a) The fixed price route of pricing is that under which the issuer company in consultation with the lead manager, arrives at a price and the securities are offered to the public at this fixed price;
- b) The book building route of pricing is where the issuer company appoints a merchant banker who acts as a “Lead Manager” for a book building period, and accepts bids from qualified bidders in a price band determined by the issuer company in consultation with the Lead Manager. This mechanism enables the issue to discover the price that the market is willing to pay for the shares of the issuer company. At the end of the book-building period, the issue of shares is made at the best bid price obtained by the issuer company in consultation with the Lead Manager.

## VII. Promoters Contribution and Lock-in Restrictions:

- (i) The ICDR Regulations prescribe that a minimum of 20% (twenty percent) of the post issue capital of the issuer company is required to be held by the promoters. In case the post issue shareholding of the promoters is less than 20% (twenty percent), then AIFs or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India may contribute for the purpose of meeting the shortfall in minimum contribution as specified for promoters, subject to a maximum of 10% (ten percent) of the post issue capital without being identified as promoters. Provided further that the requirement of minimum promoters’ contribution shall not apply in case an issuer does not have any identifiable promoter.
- (ii) Such promoters’ contribution (including contribution made by AIFs or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India in the manner prescribed hereinabove) cannot be disposed of until the expiry of 3 (three) years from the date of allotment in the public issue (in case majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure) or until the expiry of 18 (eighteen) months from the date of allotment in the public issue (in other cases). In the event the promoters hold specified securities in excess of the minimum promoter’s contribution, this excess shall be locked in for a period of 1 (one) year (in case majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure) or for a period of 6 (six) months (in other cases).
- (iii) The SR equity shares (equity shares of an issuer having superior voting rights compared to all other equity shares issued by that issuer) shall be under lock-in until conversion into equity shares having voting rights same as that of ordinary shares or shall be locked-in for a period as specified in clause (ii) above, whichever is later.

- (iv) However, inter se transfer of promoters' holding is possible, except SR shares, subject to: (a) such transfer being made to another promoter or any person of the promoter group or a new promoter; and (b) the lock-in provisions prescribed under the ICDR Regulations being made applicable to the transferees for the remaining period of the lock-in. The term "promoter" has been broadly defined to mean person(s) who are named as such in a draft offer document or offer document or in the annual return of the issuer company or in control of the issuer company or the person/s who are instrumental in the formulation of a plan or programme pursuant to which specified securities are offered to public or the person/s named in the offer document as promoters.
- (v) The ICDR Regulations prescribe lock-in restrictions on the pre-issue share capital of the issuer company held by persons other than promoters as provided below:
  - a) The entire pre-issue share capital of any persons other than the promoter shall be locked-in for a period of 6 (six) months from the date of allotment in the proposed public issue.
  - b) This lock-in period of 6 (six) months is not applicable to the equity shares allotted to:
    - ii. employees, whether currently an employee or not, under an employee stock option or employee stock purchase scheme of the issuer prior to the initial public offer, if the issuer has made full disclosures as prescribed in Part A of Schedule VI of the ICDR Regulations;
    - iii. equity shares held by an employee stock option trust or transferred to the employees by an employee stock option trust pursuant to exercise of options by the employees, whether currently employees or not;  
Provided that the equity shares allotted to the employees shall be subject to the provisions of lock-in as specified under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
    - iv. held by a venture capital fund or AIFs of Category I or of Category II or a foreign venture capital investor;  
Provided that such equity shares shall be locked in for a period of at least 6 (six) months from the date of purchase by the venture capital fund or alternative investment fund or foreign venture capital investor.

For the purpose of clause (V) (b) (iii) above, in case such equity shares have resulted pursuant to conversion of fully paid-up compulsorily convertible securities, the holding period of such convertible securities as well as that of resultant equity shares together shall be considered for the purpose of calculation of aforementioned 1 (one) year period and convertible securities shall be deemed to be fully paid-up, if the entire consideration payable thereon has been paid and no further consideration is payable at the time of their conversion.

- (vi) Further, the requirement of holding equity shares for a period of 1 (one) year does not apply: (a) to an offer for sale of a government company or statutory authority or corporation or any special purpose vehicle set up and controlled by any one or more of them, which is engaged in infrastructure sector; (b) if the equity shares offered for sale have been acquired pursuant to a scheme approved by a High Court under sections 391 to 394 of the Companies Act, 1956 or approved by a tribunal or the Central Government under sections 230 to 234 of the Companies Act, 2013, as applicable, in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval; (c) if the equity shares offered for sale were issued under a bonus issue on securities held for a period of at least one year prior to the filing of the draft offer document with the Board and further subject to the following: (i) such specified securities being issued out of free reserves and share premium existing in the books of account as at the end of the financial year preceding the financial year in which the draft offer document is filed with the Board; and (ii) such equity shares not being issued by utilisation of revaluation reserves or unrealized profits of the issuer.

VIII. General conditions for an issuer making an initial public offer:

- (i) it has made an application to one or more stock exchanges to seek an in-principle approval for listing of its specified securities on such stock exchanges and has chosen one of them as the designated stock exchange, in terms of Schedule XIX of the ICDR Regulations;
- (ii) it has entered into an agreement with a depository for dematerialisation of the specified securities already issued and proposed to be issued;
- (iii) all its specified securities held by the promoters are in dematerialised form prior to filing of the offer document;
- (iv) all its existing partly paid-up equity shares have either been fully paid-up or have been forfeited; and
- (v) it has made firm arrangements of finance through verifiable means towards 75% (seventy-five percent) of the stated means of finance for a specific project proposed to be funded from the issue proceeds, excluding the amount to be raised through the proposed public issue or through existing identifiable internal accruals.

IX. Participation in private placement of securities: The Fund may invest in Portfolio Entities by participating in a private offer of securities by such Portfolio Entities. All issues of capital by a listed public company by way of shares or convertible securities on a preferential basis are subject to fulfillment of the conditions prescribed by the Companies Act, 2013 and provisions relating to preferential issues set out under the ICDR Regulations.

The Companies Act, 2013 requires the prior approval of the existing shareholders through a special resolution, which means a majority of three-fourth of the votes, by members who, being

entitled so to do, vote in person, or where proxies are allowed, by proxy, cast in favour of resolution for preferential allotment of shares.

#### Preferential Issue – Requirements

The ICDR Regulations prescribe the following conditions for issuance of securities by a listed company, whose equity share capital is listed on any recognized stock exchange:

- a) all equity shares allotted by way of preferential issue shall be made fully paid up at the time of the allotment;
- b) a special resolution has been passed by its shareholders;
- c) all equity shares held by the proposed allottees in the issuer are in dematerialised form;
- d) the issuer is in compliance with the conditions for continuous listing of equity shares as specified in the listing agreement with the stock exchange where the equity shares of the issuer are listed and the SEBI (Listing Obligations and Disclosure Requirements), 2015, as amended, and any circular or notification issued by SEBI thereunder;
- e) the issuer has obtained the permanent account numbers of the proposed allottees, except those allottees which may be exempt from specifying their permanent account number for transacting in the securities market by SEBI.

All issues of capital by listed companies in the form of shares or convertible securities by means of preferential allotment are subject to the pricing guidelines provided under the ICDR Regulations.

#### a. Pricing of frequently traded shares

- 1) In case of frequently traded shares, the price of the equity shares to be allotted pursuant to the preferential issue shall be determined by clause (2) or clause (3), as opted for.
- 2) The price of the equity shares to be allotted pursuant to the preferential issue shall not be less than the higher of the following: (a) the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the 12 (twelve) weeks preceding the relevant date; or (b) the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the 2 (two) weeks preceding the relevant date.
- 3) If the equity shares of a company have been listed on a recognized stock exchange for a period of 26 (twenty six) weeks or more as on the relevant date, the issue of shares on preferential basis, shall be made at a price not less than higher of the following:



- i. The average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on the recognized stock exchange during the 26 (twenty six) weeks preceding the relevant date;

OR

- ii. The average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognized stock exchange during the 2 (two) weeks preceding the relevant date.

- 4) If the equity shares of a company have been listed on a recognized stock exchange for a period of less than 26 (twenty six) weeks as on the relevant date, the issue of equity shares can be made at a price not less than the higher of the following:

- i. The price at which equity shares were issued by the company in its IPO or the value per share arrived at in a scheme of arrangement under sections 391 to 394 of the Companies Act, 1956, or sections 230 to 234 the Companies Act, 2013, pursuant to which the equity shares of the company were listed, as the case may be;

OR

- ii. The average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on the recognized stock exchange during the period the equity shares have been listed preceding the relevant date;

OR

- iii. The average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognized stock exchange during the two weeks preceding the relevant date.

Provided on completing 26 (twenty six) weeks of being listed on a stock exchange, the company may recompute the price in manner set out in paragraph (a)(1) above, and if the price of equity shares allotted computed as set out in this paragraph (2) was lower than the recomputed price, the allottee has to pay the difference to the company.

- 5) A preferential issue of specified securities on to qualified institutional buyers not exceeding 5 (five) in number shall be made at a price not less than the average of the weekly high and low of the volume weighted average prices of the related

equity shares quoted on a recognized stock exchange during the two weeks preceding the relevant date.

For the purposes of paragraphs (1), (2) and (3) above the term “relevant date” means as follows:

- i. in case of preferential issue of equity shares, the date thirty days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue shall be the relevant date;  
Provided that in case of a preferential issue of specified securities pursuant to any resolution of stressed assets under a framework specified by the RBI or a resolution plan approved by the National Company Law Tribunal (“NCLT”) under the Insolvency and Bankruptcy Code 2016, the date of approval of the corporate debt restructuring package or resolution plan shall be the relevant date.
- ii. in case of a preferential issue of convertible securities, either the relevant date referred to in clause (i) above or a date thirty days prior to the date on which the holders of the convertible securities become entitled to apply for the equity shares.

Further, where the relevant date falls on a weekend/holiday, the day preceding the weekend/holiday will be reckoned to be the relevant date.

*b.* Pricing of Infrequently traded shares

Where the shares are not frequently traded, the price determined by the issuer company shall take into account valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such companies, provided that the issuer shall submit a certificate stating that the issuer company is in compliance of ICDR Regulations, obtained from an independent valuer to the stock exchange where the equity shares of the issuer are listed.

- 1) If warrants are issued on a preferential basis with an option to apply for and be allotted shares, the issuer company shall determine the price of the resultant shares as aforementioned, and an amount equivalent to at least 25% (twenty five percent) of the price so fixed shall become payable for the warrants on the date of their allotment, which shall be adjusted against the price payable subsequently for acquiring the shares by exercising an option for the purpose. However, if the option to acquire shares is not exercised then the amount paid on allotment gets forfeited.
- 2) If Partly Convertible Debentures (“PCDs”), Fully Convertible Debentures (“FCDs”) or other convertible instruments, are issued on a preferential basis, providing for the

issuer to allot shares at a future date, the issuer shall determine the price at which the shares could be allotted in the same manner as specified for pricing of shares allotted in lieu of warrants as indicated in paragraph (1) above.

- 3) The tenure of the instruments such as warrants, PCDs, FCDs or any other financial instrument with a provision for the allotment of equity shares at a future date, either through conversion or otherwise, shall not exceed beyond 18 (eighteen) months from the date of issue of the relevant instrument.
- 4) The instruments allotted on a preferential basis to the promoter or the promoter group and the shares allotted pursuant to exercise of options attached to such warrants, shall be subject to lock-in of 3 (three) years from the date of trading approval granted for the specified securities or equity shares allotted pursuant to exercise of the option attached to warrant, as the case may be. The instruments allotted on preferential basis to persons other than promoter and promoter group and the equity shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to such persons shall be locked in for a period of one year from the date of trading approval.
- 5) The allotment should be completed within a period of 15 (fifteen) days from the date of passing of the shareholders resolution granting consent for preferential issues of any financial instrument. However, where any application for exemption from the applicability of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any approval or permission by any regulatory authority or the Central Government for allotment is pending, the period of fifteen days will be counted from the date of order on such application or the date of approval or permission, as the case may be.

- X. Offer for Sale: Subject to the terms contained under the ICDR Regulations, the Fund may act as the selling shareholder and may sell the specified securities held by it to the public by way of an offer for sale (as a part of an initial public offer/further public offer by the issuer company).

#### Qualified Institutions Placement (QIP) – Requirements

Qualified Institutions Placement (“QIP”) means allotment of eligible securities by a listed issuer to Qualified Institutional Buyers (“QIBs”) on private placement basis and includes an offer for sale of specified securities by the promoters and/or promoter group on a private placement basis.

The ICDR Regulations permit companies to make QIP of equity shares, non-convertible debt instruments along with warrants and convertible securities other

than warrants (“eligible securities”) upon the satisfaction of certain conditions, which include the following:

1. A special resolution approving the QIP has to be passed by the shareholders of the company. The allotment shall be completed within 365 days from the date of passing the resolution.
2. The equity shares of the same class, which are proposed to be allotted through QIP or pursuant to conversion or exchange of eligible securities offered through QIP, have been listed on a stock exchange for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the special resolution;
3. The Company has to comply with rule 19 (7) of the Securities Contract (Regulation) Rules, 1957, if applicable;
4. An issuer shall be eligible to make a qualified institutions placement if any of its promoters or directors is not a fugitive economic offender.
5. The issuer shall not make any subsequent qualified institutions placement until the expiry of 2 (two) weeks from the date of the prior qualified institutions placement made pursuant to one or more special resolutions.
6. “Relevant Date” means –
  - (i) in case of allotment of equity shares, the date of the meeting in which the board of directors of the issuer or the committee of directors duly authorised by the board of directors of the issuer decides to open the proposed issue;
  - (ii) in case of allotment of eligible convertible securities, either the date of the meeting in which the board of directors of the issuer or the committee of directors duly authorised by the board of directors of the issuer decides to open the issue of such convertible securities or the date on which the holders of such convertible securities become entitled to apply for the equity shares.
7. Pricing:
  - (i) The issue price of the shares shall not be less than the average of the weekly high and low of the closing prices of the equity shares of the same class quoted on the stock exchange during the 2 (two) weeks preceding the relevant date;

- (ii) Where eligible securities are convertible into or exchangeable with equity shares of the issuer, the issuer shall determine the price of such equity shares allotted pursuant to such conversion or exchange taking the relevant date as decided and disclosed by it while passing the special resolution;

The issuer company is permitted to price the QIP securities at a 5% (five percent) discount to the floor price, subject to the shareholders' of the issuer company approving the same vide a special resolution.

8. Restrictions: Allotment under QIP shall be subject to the following restrictions:
  - (i) Minimum 10% (ten percent) of eligible securities to be allotted to Mutual Funds; in case Mutual Funds do not subscribe to such minimum percentage, such part shall be allotted to other QIBs;
  - (ii) No allotment, directly or indirectly, to be made to the promoter or any person related to promoters of the issuer;
  - (iii) In a QIP of non-convertible debt instrument along with warrants, an investor can subscribe to the combined offering of non-convertible debt instruments with warrants or to the individual securities, that is, either non- convertible debt instruments or warrant;
  - (iv) The applicants cannot withdraw or revise downwards their bids after the closure of the issue.
9. Persons deemed to be related to the promoter: No allotment shall be made, either directly or indirectly to any QIB who shall be deemed to be a promoter or a person related to the promoter of the issuer. A QIB who has any of the following rights shall be deemed to be a person related to the promoters of the issuer:
  - (i) rights under a shareholders' agreement or voting agreement entered into with promoters or persons related to the promoters;
  - (ii) veto rights; or
  - (iii) right to appoint any nominee director on the board of the issuer.
10. Minimum number of allottees: The minimum number of allottees for each QIP shall not be less than:
  - (i) two, where the issue size is less than or equal to Rs. 250 crores;
  - (ii) five, where is the issue size is greater than Rs. 250 crores.
11. Tenure: The tenure of the convertible or exchangeable eligible securities issued through qualified institutions placement shall not exceed 60 (sixty) months from the date of allotment
12. Lock-in of eligible securities for 1 (one) year, except sold on the stock exchange.

## XI. Exit Opportunity to Dissenting Shareholders:

Pursuant to ICDR Regulations, the promoters or shareholders in control of an issuer company shall provide an exit offer to the dissenting shareholders in case of change in objects or variation in the terms of contract referred to in the prospectus being dissented to by at least 10% (ten per cent) of the shareholders and the amount to be utilized for the objects of the issued prospectus is less than 75% (seventy five per cent) of the amount raised, in terms of the provisions of the Companies Act, 2013. Such provisions however will not apply where there are neither identifiable promoters nor shareholders in control of the issuer company.

Further, investments in listed securities would be subject to SEBI regulations pertaining to (a) SEBI (Prohibition of Insider Trading) Regulations, 2015; and (b) SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

## XII. Promoter being a wilful defaulter or a fugitive economic offender:

SEBI prohibits an issuer from making a public issue of equity securities, if the issuer or any of its promoters or directors is a wilful defaulter. 'Wilful Defaulter' has been defined as a person or an issuer who is categorized as a wilful defaulter by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the RBI. The ICDR Regulations prohibit an issuer from undertaking an IPO if any of its promoters or directors is a fugitive economic offender. A 'Fugitive Economic Offender' has been defined to mean an individual who is declared a fugitive economic offender under section 12 (twelve) of the Fugitive Economic Offenders Act, 2018.

## C. Takeover Regulations

On September 23, 2011, SEBI announced its new takeover code, the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("Takeover Code"), which came into effect on October 22, 2011 and replaced the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. Once the Portfolio Entities in which the Fund has invested are listed or if the Fund invests in securities of a listed company, the Takeover Code may apply to the Trust.

Under the provisions of the Takeover Code, any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire shares or voting rights in a company or acquires or agrees to acquire control over a company, either by himself, or through, or with any person acting in concert) who acquires aggregating to 5% (five percent) or more of the shares of a listed public Indian company is required to notify to the company at its registered office and each of the stock exchanges on which the shares of such company are listed about its aggregate shareholdings and voting rights within 2 (two) days of (i) the receipt of intimation of allotment of shares or (ii) the acquisition of shares or voting rights. Furthermore, Any person, who together with the persons acting in concert with him, holds shares or voting rights entitling them to 5% (five percent) or more of the shares or voting rights in a

target company is required to inform the company at its registered office and the stock exchange about any change in its holdings representing more than 2% (two percent) of the shares or voting rights of the company within two days of (i) the receipt of intimation of allotment of shares or (ii) the acquisition or disposal of shares or voting rights.

Upon the acquisition of 25% (twenty-five percent) or more of shares having voting rights, or an acquisition of control of the company (by himself or by persons acting in concert with him), whether direct or indirect, the purchaser / acquirer is required to make an open offer to the other shareholders offering to purchase at least 26% (twenty-six percent) of all the outstanding shares of the company at a minimum offer price as determined pursuant to the provisions of the Takeover Code. Further, under the provisions of the Takeover Code, any existing shareholder of a listed public Indian company, holding 25% (twenty-five percent) or more but less than maximum permissible non-public shareholding in the company is entitled to acquire an additional 5% (five percent) of the shares or voting rights of the company in any financial year ending March 31, without making an open offer for such an acquisition. Provided such additional acquisition of shares or voting rights shall not exceed the maximum permissible non-public shareholding in the company. For purposes of determining the quantum of acquisition of additional voting rights of 5% (five percent) gross acquisitions alone shall be taken into account regardless of any intermittent fall in shareholding or voting rights whether owing to disposal of shares held or dilution of voting rights owing to fresh issue of shares by the company.

The Takeover Code also defines indirect acquisition or control. This is defined as the ability to exercise or direct the exercise of voting rights which would otherwise attract the obligation of making a public announcement of an open offer. The threshold point for such indirect control or ability to control is where the proportionate net assets or sales turnover or market capitalization of the target company as a percentage of consolidated net assets value or sales turnover or enterprise value for the entity or business being acquired, respectively, is in excess of 80% (eighty percent) on the basis of recent audited financial statements. In such a case, such indirect acquisition would be deemed to be a direct acquisition of the target company for the purposes of the Takeover Code and the obligations relating to timing, pricing and other compliance requirements for the open offer relating to direct acquisition shall apply accordingly.

The open offer for the acquisition of a further minimum of 26% (twenty-six percent) of shares of the company or such other percentage as prescribed under the Takeover Code has to be made by way of a public announcement on the date of agreeing to acquire shares or voting rights in, or control over the company.

If the promoters of a Portfolio Entity buy back the shares of the Portfolio Entity from the Fund, they may be required to comply with the open offer provisions depending on their percentage shareholding in the company. However, under the Takeover Code, a special exemption has been granted to the promoters from making an open offer if they purchase shares from a SEBI registered Category I AIF.

#### **D. Prohibition of Insider Trading Regulations**

SEBI (Prohibition of Insider Trading) Regulations, 2015, ("Insider Trading Regulations") have been notified by SEBI and came into force with effect from May 15, 2015. The Insider Trading Regulations replaced the SEBI (Prohibition of Insider Trading) Regulations, 1992. The Insider Trading Regulations prohibit an "insider" and a "connected person" from dealing, either on his own behalf or on behalf of any other person, in the securities of a company listed on any stock exchange when in possession of "unpublished price sensitive information" which is distinguished from "generally available information". When a person who has traded in securities has been in possession of "unpublished price sensitive information", his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession. The terms "insider", "connected person", "unpublished price-sensitive information" and "generally available information" are defined in the Insider Trading Regulations.

The insider is prohibited from communicating, counseling, causing or procuring, directly or indirectly, any unpublished price-sensitive information to any other person who while in possession of such unpublished price-sensitive information is prohibited from dealing in securities except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations and in furtherance in the interest of the company. Any person in receipt of unpublished price sensitive information pursuant to a "legitimate purpose" shall be considered an "insider" for purposes of the Insider Trading Regulations and due notice shall be given to such persons to maintain confidentiality of such unpublished price sensitive information in compliance with the Insider Trading Regulations.

In the case of "connected persons" the onus of establishing, that they were not in possession of unpublished price sensitive information, shall be on such connected persons and in other cases, the onus would be on SEBI. However proof of innocence can be established by an insider if (a) the transaction is an off-market inter-se transfer between insiders who were in possession of the same unpublished price sensitive information; (b) the transaction was carried out through the block deal window mechanism between persons who were in possession of the unpublished price sensitive information; (c) the transaction was carried out pursuant to a statutory or regulatory obligation to carry out a bona fide transaction; (d) the transaction in question was undertaken pursuant to the exercise of stock options in respect of which the exercise price was pre-determined in compliance with applicable regulations; (e) in the case of non-individual insiders; (i) the individuals in possession of unpublished price sensitive information were different from individuals taking trading decisions and such decision making individuals were not in possession of unpublished price sensitive information when they took the decision to trade; and (ii) appropriate and adequate arrangements were in place to ensure that the provisions are not violated and no unpublished price sensitive information was communicated by individuals possessing the information to the individuals taking trading decisions and there is no evidence of such arrangements having been breached; and (f) the trades were pursuant to a trading plan set up in accordance with the Insider Trading Regulations. The Insider Trading Regulations also provides for disclosures to be made by certain person and such disclosures shall



include those relating to trading by such person's immediate relatives and by any other person for whom such person takes trading decisions.

The Insider Trading Regulations make it compulsory for listed companies and the board of directors or head(s) of the organisation of every intermediary to ensure that the chief executive officer or managing director establishes an internal code of conduct to prevent insider-trading deals and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimize misuse of such information. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a code of fair disclosure practices to prevent insider trading, which must be implemented by all listed companies and intermediaries. The Insider Trading Regulations requires appointment of a compliance officer to administer the code of conduct and other requirements under the Insider Trading Regulations.

The Insider Trading Regulations requires a person, on his appointment as key managerial personnel or a director or upon becoming a promoter or member of the promoter group of every company whose securities are listed on any recognised stock exchange, to disclose his holding of securities of the company as on the date of his appointment or becoming a promoter, to the company within seven days of such appointment or becoming a promoter.

On a continual basis, every promoter, member of the promoter group, designated person and director of every company is required to disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of rupees ten lakh rupees or such other value as may be specified. Every company is required to notify the particulars of such trading to the stock exchange on which the securities are listed within two trading days of receipt of the disclosure or from becoming aware of such information. The disclosures made shall be maintained by the company, for a minimum period of five years.

The terms "promoter" and "promoter group" shall have the same meaning as assigned to them under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 or any modification thereof.

Any company whose securities are listed on a stock exchange may, at its discretion require any other connected person or class of connected persons to make disclosures of holdings and trading in securities of the company in such form and at such frequency as may be determined by the company in order to monitor compliance with the Insider Trading Regulations. The chief executive officer, managing director or such other analogous person of a listed company, intermediary or fiduciary shall put in place adequate and effective system of internal controls to ensure compliance with the requirements given in the Insider Trading Regulations to prevent insider trading.

The disclosures required to be made by any person under the Insider Trading Regulations shall include those relating to trading by such person's immediate relatives. The term "immediate relative" means a

spouse of a person, and includes parent, sibling, and child of such person or of the spouse, any of whom is either dependent financially on such person, or consults such person in taking decisions relating to trading in securities.

An insider is entitled to formulate a trading plan and present it to the compliance officer for approval and public disclosure pursuant to which trades may be carried out on his behalf in accordance with such plan. The Insider Trading Regulations prescribe certain requirements to be complied with in relation to such trading plans.

#### **E. Anti-Money Laundering Legislation**

Prevention of Money Laundering Act, 2002 (“PML Act”) came into effect from July 1, 2005. Further, SEBI vide its master circular no. SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 dated October 15, 2019 has mandated that all intermediaries should formulate and implement a proper policy framework as per the guidelines on anti-money laundering measures, policy for acceptance of clients and also to adopt a Know Your Customer (“KYC”) policy. The intermediaries may, according to their requirements specify additional disclosures to be made by clients for the purpose of identifying, monitoring and reporting incidents of money laundering and suspicious transactions undertaken by clients. SEBI has further issued circular no. ISD/CIR/RR/AML/2/06 dated March 20, 2006 advising all intermediaries to take necessary steps to ensure compliance with the requirement of section 12 of the PML Act requiring inter alia maintenance and preservation of records and reporting of information relating to cash and suspicious transactions to Financial Intelligence Unit-India (FIU-IND). The PML Act, Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended and modified from time to time, the guidelines/circulars issued by SEBI thereto, as amended from time to time, are hereinafter collectively referred to as ‘PML Laws’. The Trust as an AIF would have to ensure that the overall client due diligence process is followed and that the amount invested by the Contributors is through legitimate sources only and does not involve and is not designated for the purpose of any contravention or evasion of the provisions of the ITA, PML Laws, Prevention of Corruption Act, 1988 and/or any other applicable law in force and also any laws enacted by the Government of India from time to time or any rules, regulations, notifications or directions issued there under.

Further, SEBI had extended the ‘Uniform Know Your Client (KYC) Requirements for the Securities Markets’ vide SEBI Circular MIRSD/SE/Cir-21/2011 dated October 5, 2011 to Venture Capital Funds (VCFs) and thereby to AIFs and advised them to meet certain basic uniform requirements that have been prescribed by SEBI for Customer Due Diligence (CDD) or KYC. The Finance (No. 2) Act, 2019 has further amended the Prevention of Money-Laundering Act, 2002 to introduce the process to carry out digital KYC by the reporting entity. Moreover, SEBI vide its circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020, has enabled online KYC processes with a view to achieve ease of doing business in the securities market, which may be completed through online / application based KYC, in-person verification through video, online submission of officially valid document / other documents.

The Trust shall produce reliable, independent source documents or produce such information as may be required from time to time for verification of the details. The Trust shall also, after application of appropriate due diligence measures, have absolute discretion to report any transactions to FIU-IND that it believes are suspicious in nature within the purview of the PML Laws.

## **F. Stewardship Code**

SEBI vide its circular dated December 24, 2019 has notified the 'Stewardship Code', applicable to 'institutional investors', i.e., all mutual funds, asset management companies, trustee companies, boards of trustees of mutual funds and all AIFs in relation to their investment in listed equities.

The Stewardship Code has identified certain principles that the institutional investors need to follow with effect from July 01, 2020. The principles and summary of guidance on the same are given below:

- a. Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically: Stewardship responsibilities include monitoring and actively engaging with investee companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc. Every institutional investor should formulate a comprehensive policy on how it intends to fulfill the aforesaid stewardship responsibilities and disclose it publicly. The policy should be reviewed and updated periodically and the updated policy should be publicly disclosed on the entity's website.
- b. Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it: Institutional investors should formulate a detailed policy for identifying and managing conflicts of interest. The policy shall be intended to ensure that the interest of the client/beneficiary is placed before the interest of the entity. The policy should also address how matters are handled when the interests of clients or beneficiaries diverge from each other. The conflict of interest policy formulated shall, among other aspects, address the manner in which such conflicts might arise, procedures put in place in case such conflict of interest situations arise (such as blanket bans on investments, constituting an investment committee etc.), periodic review, update and public disclosure of such policy.
- c. Principle 3: Institutional investors should monitor their investee companies: Institutional investors should have a policy on continuous monitoring of their investee companies in respect of all aspects they consider important which shall include performance of the companies, corporate governance, strategy, risks etc. Accordingly, the institutional investors shall formulate a policy specifying, inter-alia, different levels of monitoring in different investee companies, areas of monitoring (such as company strategy, industry level monitoring, quality of company management etc.), situations that might trigger communication of insider information and procedures adopted to ensure insider trading regulations are complied with in such cases.
- d. Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed: Institutional investors should have a clear policy identifying the circumstances for active intervention in the investee companies and the manner of such intervention. The policy should also involve regular assessment of the outcomes of such

intervention. Intervention should be considered even when a passive investment policy is followed or if the volume of investment is low, if the circumstances so demand. Circumstances for intervention may, inter alia, include poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation etc. The mechanisms for intervention may include meetings/discussions with the management for constructive resolution of the issue and in case of escalation thereof, meetings with the boards, collaboration with other investors, voting against decisions, etc.

- e. Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity: Institutional investors must take voting decisions in the investee company after an in-depth analysis. A comprehensive voting policy is required to be framed by the institutional investors including details of mechanisms of voting, circumstances in which voting should be for/against/abstained, disclosure of voting, etc. The voting policy should be publicly disclosed.
- f. Principle 6: Institutional investors should report periodically on their stewardship activities: Institutional investors shall report to their clients/ beneficiaries periodically on how they have fulfilled their stewardship responsibilities as per their policy in an easy-to-understand format. Institutional investors shall report periodically on their stewardship activities by placing a report on their website on implementation of every principle.

### 3. Companies Act, 2013

The Companies Act, 2013 ("Companies Act") came into effect on September 12, 2013 and replaced the Companies Act, 1956. Companies Act shall govern the Portfolio Companies in which the AIF shall invest. Under the Companies Act, a member (as defined under section 2(55) of the Companies Act) may be issued shares or debentures as per the agreement executed between them. The company shall issue shares to its members as per the provisions of section 42 and 62 of the Companies Act and rules prescribed thereunder. Equity shares issued by the company shall have a voting rights or a differential rights which may include dividend, voting or such other rights as may be provided under The Companies (Share Capital and Debentures) Rules, 2014. A company may issue debentures (under section 71 of the Companies Act and rules provided thereunder) with an option to convert such debentures into shares, either wholly or partly at the time of redemption. The debentures may be secured or non-secured. In the event of issue of secured debentures the company shall comply with the provisions of rule 18 of the Companies (Share Capital and Debentures) Rules, 2014.

### 4. Foreign investment laws

#### A. Foreign Investment in AIFs

The Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 ("FEMA Rules") provides as follows:

Rule 2 (ae) of the FEMA Rules defines a 'investment vehicle' to mean an entity registered and regulated under relevant regulations framed by SEBI or any other authority designated for that purpose and shall

include Real Estate Investment Trusts governed by the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Infrastructure Investment Trusts governed by the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, AIFs governed by the Regulations.

Rule 2 (aq) of the FEMA Rules defines a 'unit' to mean beneficial interest of an investor in an investment vehicle.

The terms and conditions laid down in Schedule VIII of the FEMA Rules governing investment in Investment Vehicle are as follows:

- a) A person resident outside India who has acquired or purchased units in accordance with Schedule VIII of the FEMA Rules may sell or transfer in any manner or redeem the units as per regulations framed by SEBI or directions issued by RBI.
- b) An Investment vehicle may issue its units to a person resident outside India against swap of capital instruments of a special purpose vehicle proposed to be acquired by such Investment Vehicle.
- c) Investment made by an investment vehicle into an Indian entity shall be reckoned as indirect foreign investment for the investee Indian entity if the sponsor or the manager or the investment manager (i) is not owned and not controlled by resident Indian citizens or (ii) is owned or controlled by persons resident outside India.

Provided that for Sponsor or managers or investment managers organized in a form other than companies or LLPs, SEBI shall determine whether the sponsor or manager or investment manager is foreign owned and controlled.

Explanation: 'Control' of the AIF should be in the hands of 'Sponsor' and 'managers/ investment managers', with the general exclusion to others. In case the 'Sponsor' and 'managers/ investment managers' of the AIF are individuals, for the treatment of downstream investment by such AIF as domestic, 'Sponsor' and 'managers/ investment managers' should be resident Indian citizens.

- d) An Alternative Investment Fund Category III which has received any foreign investment shall make portfolio investment in only those securities or instruments in which a FPI is allowed to invest under FEMA, and rules or regulations made thereunder.
- e) The amount of consideration shall be paid as inward remittance from abroad through banking channels or by way of swap of shares of a special purpose vehicle or out of funds held in NRE or FCNR (B) account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016. The sale/maturity proceeds (net of taxes) of the units may be remitted outside India or may be credited to the NRE or FCNR (B) account of the person concerned.

In terms of Schedule IV to the FEMA Rules, a Non-resident Indian (NRI) including a company, a trust and a partnership firm incorporated outside India and owned and controlled by NRIs may purchase/contribute on non-repatriation basis, the units issued by an investment vehicle without any limit, either on the stock exchange or outside it. Any such investment shall be deemed to be domestic investment at par with the investment made by residents.

**B. Foreign investment laws in general**

Currently, the Fund is not foreign owned or controlled. However, if the Fund becomes foreign owned or controlled then the following provisions shall be applicable:

An Indian entity that has received indirect foreign investment shall comply with the entry route, sectoral caps, pricing guidelines and other attendant conditions as applicable for foreign investment.

Downstream investment that is treated as indirect foreign investment for the investee entity shall be subject to the following conditions, namely:-

- a. downstream investment shall have the approval of the board of directors as also a shareholders' agreement, if any;
- b. for the purpose of downstream investment, the Indian entity making the downstream investment shall bring in requisite funds from abroad and not use funds borrowed in the domestic markets and the downstream investments may be made through internal accruals and for this purpose, internal accruals shall mean profits transferred to reserve account after payment of taxes. Further raising of debt and its utilization shall be in compliance with FEMA and rules or regulations made thereunder.

Equity instrument of an Indian company held by another Indian company which has received foreign investment and is not owned and not controlled by resident Indian citizens or is owned or controlled by persons resident outside India may be transferred to,

- a. a person resident outside India, subject to the reporting requirements as specified by the RBI.
- b. a person resident in India subject to adherence to pricing guidelines;
- c. an Indian company which has received foreign investment and is not owned and not controlled by resident Indian citizens or owned or controlled by persons resident outside India.

The first level Indian company making downstream investment shall be responsible for ensuring compliance with the provisions of these rules for the downstream investment made by it at second level and so on and so forth and such first level company shall obtain a certificate to this effect from its statutory auditor on an annual basis and such compliance of these rules shall be mentioned in the director's report in the annual report of the Indian company. In case statutory auditor has given a qualified report, the same shall be immediately brought to the notice of the regional office of the RBI in whose jurisdiction the registered office of the company is located and shall also obtain acknowledgement from the registered office.

## 5. Other regulatory considerations

### The Insolvency and Bankruptcy Code, 2016

The Insolvency and Bankruptcy Code, 2016 (“Insolvency Code”) seeks to provide for insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximization of value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders.

Part II of the Insolvency Code applies to matters relating to insolvency and liquidation of corporate debtors where the minimum default Rs. 1,00,00,000 (Indian Rupees One Crore). The Insolvency Code defines a corporate debtor as a corporate person who owes a debt to any person.

The Insolvency Code proposes 2 (two) processes for insolvency resolution (a) the insolvency resolution process, and (b) liquidation process. A financial creditor, an operational creditor or the corporate debtor itself, may apply for initiating corporate insolvency resolution process before the adjudicating authority in respect of the corporate debtor. The adjudicating authority shall within a period of 14 (fourteen) days of receipt of the application, either admit or reject the application for corporate insolvency process. Upon admission of the corporate insolvency process, the adjudicating authority shall appoint an interim resolution professional for the management of the affairs of the corporate debtor as specified in the Insolvency Code. The interim resolution professional shall constitute a committee of creditors, amongst other things. The interim resolution professional shall convene a meeting of the committee of creditors after collating all claims received against the corporate debtor. The committee of creditors shall appoint the resolution professional in the first meeting.

The resolution professional shall conduct the corporate insolvency resolution process in accordance with the procedure specified in the Insolvency Code. In the event, the adjudicating authority does not receive a resolution plan before the expiry of the insolvency resolution process period or rejects the resolution plan for non-compliance with the requirements set out in the Insolvency Code, the adjudicating authority shall pass an order for the liquidation of the corporate debtor. The adjudicating authority for corporate insolvency resolution process would be the NCLT.

The Insolvency Code also provides for a fast track corporate insolvency resolution process for corporate debtors with assets and income below a level as may be notified by the Central Government or with such class of creditors or such amount of debt as may be notified by the Central Government or such other category of corporate persons as may be notified by the Central Government. Such fast track corporate insolvency resolution process shall be completed within a period of 90 (ninety) days from the date of admission of an application for initiating corporate insolvency resolution process by the NCLT.

## 6. The Competition Act, 2002

The Competition Act, 2002 (“Competition Act”) provides for the establishment of a ‘Commission’ to prevent practices having adverse effect on competition, to promote and sustain competition in markets, to protect the interests of consumers and to ensure freedom of trade carried on by other participants in markets, in India. As per the provisions of the Competition Act, no enterprise or association of enterprises or person or association of persons shall enter into any agreement in respect of production, supply, distribution, storage, acquisition or control of goods or provision of services, which causes or is likely to cause an appreciable adverse effect on competition within India. Further, presence of appreciable adverse effect on competition shall be presumed where any agreement entered into between enterprises or associations of enterprises or persons or associations of persons or between any person and enterprise or practice carried on, or decision taken by, any association of enterprises or association of persons, including cartels, engaged in identical or similar trade of goods or provision of services, which:

- a. directly or indirectly determines purchase or sale prices;
- b. limits or controls production, supply, markets, technical development, investment or provision of services;
- c. shares the market or source of production or provision of services by way of allocation of geographical area of market, or type of goods or services, or number of customers in the market or any other similar way;
- d. directly or indirectly results in bid rigging or collusive bidding, shall be presumed to have an appreciable adverse effect on competition.

Provided that nothing contained under section 3(3) of the Competition Act shall apply to any agreement entered into by way of joint ventures if such agreement increases efficiency in production, supply, distribution, storage, acquisition or control of goods or provision of services.

## **7. Taxation of the Fund**

### **TAX CONSIDERATIONS IN INDIA**

PROSPECTIVE INVESTORS SHOULD CONSIDER THE FOLLOWING SUMMARY OF CERTAIN TAXATION ASPECTS AFFECTING THE FUND. PROSPECTIVE INVESTORS ARE ADVISED TO INFORM THEMSELVES AS TO ANY INCOME OR OTHER TAX CONSEQUENCES WHICH ARE RELEVANT TO THEIR PARTICULAR CIRCUMSTANCES IN CONNECTION WITH THE ACQUISITION, HOLDING OR DISPOSITION OF THEIR RESPECTIVE INTERESTS IN THE FUND. IN VIEW OF THE NATURE OF TAX CONSEQUENCES, EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES ARISING DUE TO AN INVESTMENT IN THE FUND.

THE FOLLOWING SUMMARY IS BASED ON THE LAW AND PRACTICE OF THE INCOME-TAX ACT, 1961 (THE ‘IT Act’), THE INCOME-TAX RULES, 1962 (‘IT RULES’), AND VARIOUS CIRCULARS AND NOTIFICATIONS ISSUED THERE UNDER FROM TIME TO TIME. THE IT ACT IS AMENDED EVERY YEAR BY THE FINANCE ACT OF THE RELEVANT YEAR AND THIS MEMORANDUM REFLECTS CHANGES TO THE



DATE OF THIS SUMMARY. THE TAX RATES SPECIFIED BELOW ARE FOR THE FINANCIAL YEAR 2022-23 (ASSESSMENT YEAR 2023-24) AS PER THE FINANCE ACT, 2022 UNLESS SPECIFIED OTHERWISE. THE RATES ARE INCLUSIVE OF SURCHARGE AND CESS UNLESS SPECIFIED OTHERWISE.

THIS INFORMATION DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OF ALL RELEVANT TAX CONSIDERATIONS; NOR DOES IT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL POTENTIAL TAX COSTS, INCIDENCE AND RISKS INHERENT IN PURCHASING OR HOLDING THE UNITS OF ELEV8-CAPITAL FUND I AND IS SUBJECT TO CHANGE BASED ON ANY CHANGES MADE IN THE UNDERLYING TAX LAWS. THE INFORMATION CONTAINED HEREIN IS BASED ON AN INTERPRETATION OF PREVAILING TAX LEGISLATION AND COULD THEREFORE CHANGE OR BE ADVERSELY AFFECTED IF ALTERNATIVE INTERPRETATIONS ARE ADOPTED.

## 1. TAX RATES

The tax rates (excluding surcharge and cess) for different assessee are as under:

Assessee	% of Income Tax
Individuals, Hindu Undivided Family ('HUF'), Association of Persons ('AOP'), Body of Individuals ('BOI')	Applicable slab rates
Domestic Company having total turnover / gross receipt not exceeding INR 400 Crores in FY 2020-21	25%
Partnership Firm [including Limited Liability Partnership ('LLP')] and Domestic Company having total turnover / gross receipt exceeding INR 400 Crores in FY 2020-21	30%
Foreign Company	40%

Note 1: Domestic company under section 115BAA of the IT Act, has the option to pay tax at the rate of 22%, subject to certain prescribed conditions.

Note 2: Domestic manufacturing company under section 115BAB of the IT Act, has an option to pay tax at the rate of 15%, subject to certain conditions.

The option under section 115BAA or 115BAB of the Act needs to be exercised before the due date for furnishing the first of the return of income for any financial year starting from AY 2020-21 or subsequent AYs. Once exercised, such option cannot be withdrawn for the same or subsequent AYs.

Note 3: Companies exercising the above options have been excluded from the applicability of Minimum Alternate Tax ('MAT').

Note 4: Slab rates

The slab rates for individuals / HUF / AOP / BOI are as follows:

Total Income (please refer to notes below)	Tax rates
Up to INR 2,50,000	Nil
From INR 2,50,001 to INR 5,00,000	5%
From INR 5,00,001 to INR 10,00,000	20%
INR 10,00,001 and above	30%

The Central Government vide the Finance (No. 2) Act, 2019 and section 87A, has provided for a rebate on tax of an amount equal to 100% of such income-tax or an amount of INR 12,500 (whichever is less) on total income of resident individual assessee whose total income does not exceed INR 5,00,000. In the case of a resident individual of the age of 60 years or more but less than 80 years, the basic exemption limit is INR 3,00,000.

In the case of a resident individual of the age of 80 years or more, the basic exemption limit is INR 5,00,000.

An option to individual and HUF taxpayers to apply for lower slab rates provide under section 115BAC of the IT Act. However, the benefit of the lower slab rates will be available subject to the taxpayers forgoing certain exemptions, deductions and set-off of brought forward losses. In case, the taxpayer intends to claim deductions / exemptions, the existing tax rates and slabs will continue to apply.

Total Income	Tax rates
Up to INR 2,50,000	Nil
From INR 2,50,001 to INR 5,00,000	5%
From INR 5,00,001 to INR 7,50,000	10%
From INR 7,50,001 to INR 10,00,000	15%
From INR 10,00,001 to INR 12,50,000	20%
From INR 12,50,001 to INR 15,00,000	25%
Above INR 15,00,000	30%

For ease of reference, we have considered the maximum slab rate of 30% while providing tax rate on various streams of income.

For the purpose of this section, the terms “Beneficiaries”, “Unit holders” and “Investors” have been used interchangeably, unless otherwise specified. Similarly, the terms “Trust” and “Fund” and “Scheme” and “Investment Fund” have been used interchangeably, unless otherwise specified. The amounts in 1 million is equal to 10 lakhs, and the same have been used interchangeably whereas amounts in 10 million is equal to 1 Crore and the same have been used interchangeably. Further, 1 lakh is equal to 100 thousand.

## 2. TAXATION OF THE FUND

The Trust is constituted as a determinate contributory trust under the Indian Trusts Act, 1882. The Trust is proposed to be registered with SEBI as a Category II Alternative Investment Fund in accordance with the AIF Regulations. Elev8-Capital Fund I (‘Scheme – I’) is the scheme of the Trust.

Relevant provisions of the IT Act with respect to taxability of Scheme - I and its Investors

Under the provisions of the IT Act, an Investment Fund is accorded tax pass through status with respect to any income (other than income chargeable under the head “Profits and Gains of Business,” hereinafter referred to as ‘business income’) earned by such Investment Fund.

Investment Fund is defined under clause (a) of the Explanation 1 to Section 115UB of the IT Act as any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which has been granted a certificate of registration as a Category I or a Category II AIF and is regulated under the AIF Regulations.

As Scheme - I would be set-up as a scheme of the Trust registered as a Category II AIF under the AIF Regulations, as per the IT Act, any income other than business income (including income earned from investments in Indian Portfolio Entities and income earned from Temporary Investments) earned by Scheme - I should be exempt from tax in the hands of Scheme - I and should be eligible for tax pass through, i.e., such income should be chargeable to tax directly in the hands of the Investors.

Where Scheme - I is held to be earning any 'business income', then such income should be taxable in the hands of Scheme - I at the maximum marginal rate of tax of 42.744%. Further, the Unit holders are not liable to tax on such portion of the income which is taxable as 'business income' in the hands of the Fund. Also, in such a case, Scheme - I should not be required to withhold any taxes at the time of credit or payment of such income to the Unit holders.

## 2.1. Characterisation of income

The income arising from investment in securities may be treated either as "capital gains" or as "business income" or "income from other sources" for tax purposes, depending upon nature of investment and whether such securities were held as a capital asset or trading asset (i.e., stock-in-trade). Traditionally, the issue of characterisation on exit gains (whether taxable as business income or capital gains) has been a subject matter of litigation with the tax authorities.

There have been judicial pronouncements on whether gains from transactions in securities should be taxed as "business profits" or as "capital gains". However, these pronouncements, while laying down certain guiding principles have largely been driven by the facts and circumstances of each case. Also, the CBDT has provided guidance (vide its Instruction: No. 1827, dated August 31, 1989 and Circular No. 4/2007, dated June 15, 2007) in respect of characterisation of gains as either capital gains or business income. Following are the key illustrative factors indicative of capital gains characterisation (not business income):

- a) Intention at the time of acquisition – capital appreciation
- b) Low transaction frequency
- c) Long period of holding
- d) Shown as investments in books of accounts (not stock in trade)
- e) Use of owned funds (as opposed to loan) for acquisition
- f) Main object in constitution document is to make investments
- g) Higher level of control over the investee company

No single criteria should be decisive to determine whether or not the income is in the nature of capital gains or business income or income from other sources. The characterisation should depend on the total effect of all criteria applicable to the facts of the case. Therefore, in this regard, the characterisation of income of Scheme - I would need to be evaluated every year, based on the facts existing in that year.

Based on the Fund's investment strategy it is likely that Scheme - I will comply with the conditions and parameters mentioned in the CBDT circular and instructions. Accordingly, the income from sale of securities in the investee companies should generally be categorised as capital gains. However, the possibility of the tax authorities seeking to treat such income as business income cannot be ruled out. Please note that with a view to reduce litigation and maintain consistency, the CBDT has issued a circular providing that income arising from transfer of listed shares / securities held for more than 12

months would be treated as capital gains unless the tax payer himself treats the such listed shares / securities as stock in trade; in other cases involving sale of listed shares / securities, the characterisation of income would be decided on the basis of previous circulars and instructions issued by the CBDT on this subject. The circular also provides that a position once adopted by the taxpayer would not be allowed to be changed and it would be applicable for the subsequent assessment years. It is however clarified that the principles as outlined in the circular shall not be applicable in cases where the genuineness of the transaction itself is questionable. Furthermore, with respect to the characterisation of gains arising on transfer of unlisted shares, the CBDT has issued an instruction providing that income from transfer of unlisted shares (for which no formal market exists for trading) would be treated as 'capital gains' irrespective of period of holding except in certain specified circumstances such as (i) the genuineness of transactions in unlisted shares itself is questionable; or (ii) the transfer of unlisted shares is related to an issue pertaining to lifting of corporate veil; or (iii) the transfer of unlisted shares is made along with the control and management of underlying business.

In this regard, the CBDT noted that Category I and II AIFs registered with SEBI invest in unlisted shares of companies, being new set-ups or start-ups, and to safeguard the interest of its investors, such AIFs may exercise some form of control and management in the underlying business of the start-ups. Hence, the CBDT issued a clarification that exception relating to transfer of unlisted shares along with the control and management of the underlying business as mentioned in the CBDT instruction dated May 2, 2016, would not be applicable to SEBI registered Category I and II AIFs.

### 3. TAXATION IN THE HANDS OF THE INVESTORS

Where Scheme - I earns income other than 'business income'

The IT Act provides that income of an Investment Fund other than income characterised as 'business income' should be exempt from tax, in the hands of the Investment Fund and should be chargeable to tax directly in the hands of the Unit holders as under:

- The income shall be chargeable to tax in the hands of the Unit holders in the same manner as if it were the income accruing or arising to, or received by the Unit holder had the investments, made by Scheme - I been made directly by the Unit holder.
- The income paid to the Unit holders by Scheme - I or credited to the account of the Unit holders by the Fund, shall be deemed to be of the same nature and in the same proportion in the hands of the Unit holders, as it had been received by or as accrued / arisen to the Fund.
- The income accrued / arisen to or received by Scheme - I in any financial year (i.e., April to March) which has not been credited to the account of or distributed to the Unit holders shall be deemed to have been credited by Scheme - I to the account of the Unit holders on the last day of the financial year. Such credit would be made in the same proportion as the Unit holders would have been entitled to receive the income had it been paid in that financial year.
- Once the income is included in the total income of the Unit holder in a financial year, on account of having accrued or arisen in the said financial year, it shall not be included in the total income of such person in the financial year in which such income is actually paid to the Unit holder by the Fund.
- If the net computation of total income at Fund level is a loss (not being in the nature of business losses), then such loss should be passed through to its Unit holders for set-off or carry forward in accordance with the provision of Chapter VI of the IT Act while computing their income. However, in order to be eligible for pass-through of losses, the units in Scheme - I in respect of which such loss has arisen must have been held for a period of at least twelve months by such Unit holders.

Where Scheme - I earns income under the head 'business income'

Where Scheme - I is held to be earning any 'business income', then such income should be taxable in the hands of Scheme - I at the maximum marginal rate of tax of 42.744% (net of expenses).

Any loss at Scheme - I level under this head, shall not be allowed to be passed through to the investors and shall be carried over at Scheme - I level and shall be available to be set-off against business income of the subsequent years in accordance with the provisions of the IT Act.

Further, the Unit holders are not liable to tax on such portion of the income which is taxable as 'business income' in the hands of the Fund. Also, in such a case, Scheme - I should not be required to withhold any taxes at the time of credit or payment of such income to the Unit holders.

### 3.1. Residence in India

A resident investor should be subject to tax on his global income.

An individual is said to be a resident in India if he is in India during a year for a period or periods amounting in all to one hundred and eighty-two days or more; or having within the four years preceding that year been in India for a period or periods amounting in all to three hundred and sixty five days or more, is in India for a period or periods amounting in all to sixty days or more in that year (An Indian citizen going abroad for employment and an Indian citizen or a person of Indian origin coming on a visit to India will be a resident in India only if he is in India for one hundred and eighty-two days or more, in that year. The Finance Act, 2020 has reduced the number of days to one hundred and twenty days in case of an Indian citizen or a person of Indian origin having total income, other than the income from foreign sources, exceeding 15 lakh rupees during the financial year).

Further, an individual, being a citizen of India having total income, other than the income from foreign sources, exceeding 15 lakh rupees during the financial year, shall be deemed to be resident in India in that financial year, if he is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature.

A HUF, partnership firm or AOP is said to be resident in India in any financial year in every case except where the control and management of its affairs is situated wholly outside India.

A Company is said to be a resident in India in the financial year if (i) it is an Indian Company; or (ii) its place of effective management ('POEM') during that year is in India.

Every other person is said to be resident in India during the financial year in every case except where the control and management of affairs is situated wholly outside India.

### 3.2. Taxability in the hands of Resident investors

The tax implications on the different streams of income in the hands of the resident investors (other than 'business income') is as follows:

#### I. Dividends

Dividend income shall be taxable under section 56 of the IT Act under the head 'Income from Other Sources' ("Other Income") at the tax rates applicable to the Indian resident investor. Further, no deduction shall be allowed for expenses against such dividend income, other than deduction of interest expenditure under section 57 of the IT Act which shall be capped at 20% of the dividend income.

Tax rate for beneficiaries who are resident companies (where taxable income exceeds INR 10 Crores) [Refer Note (i)]	Tax rate for beneficiaries who are resident companies (where taxable income exceeds INR 1 Crore but not INR 10 Crores) [Refer Note (i)]	Tax rate for beneficiaries who are resident firms and/or LLP (where taxable income exceeds INR 1 Crore)	Tax rate for any other resident beneficiaries being Individual, HUF, AOP and BOI etc. (where taxable income exceeds INR 50 lakhs but not INR 1 Crore) [Refer Note (ii)]	Tax rate for any other resident beneficiaries being Individual, HUF, AOP and BOI etc. (where taxable income exceeds INR 1 Crore but not INR 2 Crores) [Refer Note (ii)]	Tax rate for any other resident beneficiaries being Individual, HUF, AOP and BOI etc. (where taxable income exceeds INR 2 Crores but not INR 5 Crores) [Refer Note (ii) and (iii)]	Tax rate for any other resident beneficiaries being Individual, HUF, AOP and BOI etc. (where taxable income exceeds INR 5 Crores) [Refer Note (ii) and (iii)]
%	%	%	%	%	%	%
34.94/29.12/25.17/17.16	33.38/27.82/25.17/17.16	34.94	34.32	35.88	35.88	35.88

**Notes:**

- Tax rates for domestic companies: As per the Finance Act, 2022, a reduced tax rate of 25% (plus applicable surcharge and cess) in case of domestic companies having total turnover or gross receipts not exceeding INR 400 Crores in the financial year 2020-21 is applicable. In such a case, the rate of tax on dividend income shall be 29.12% (where taxable income exceeds INR 10 Crores) and 27.82% (where taxable income exceeds INR 1 Crore but does not exceed INR 10 Crores).
- Further, the tax rates for domestic companies exercising the option under section 115BAA and section 115BAB of the IT Act shall be 25.17% or 17.16% respectively, subject to fulfilment of conditions prescribed therein.
- As per section 115BAC of the IT Act, the Individual and HUF will have an option to pay tax on its total income at the reduced tax rates. The total income would however have to be computed without claiming prescribed deductions or exemptions.

- iv. As per the Finance Act 2021, the surcharge rate with respect to dividend income shall not exceed 15% in case of assessee, inter-alia, being individual, HUF, AOP and BOI.
- v. The Finance Act, 2022 has withdrawn the concessional rate of tax of 15 % provided in Section 115BBD of the Act on the dividend income received by an Indian company from a foreign company in which the said Indian company holds 26 % or more in nominal value of equity shares (specified foreign company).
- vi. As per the Finance Act, 2022 in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15% and accordingly, in that case, effective tax rate will be maximum of 35.88% in a case where taxable income exceeds INR 1 Crore.
- vii. The Indian company declaring dividend would be required to deduct tax at 10% in case of payment to resident investors if payment exceeds INR 5,000. However, in view of section 197A(1F) of the IT Act read with CBDT notification (CBDT Notification no.51/2015 dated 25 June 2015), the Indian company should not be required to deduct tax on dividend paid to the Fund.
- viii. As per Section 80M of IT Act in case any Indian company receives dividend from another Indian company or foreign company or business trusts and the dividend is distributed by the first mentioned Indian company before the specific due date (i.e. one month prior to the date of filing tax return under section 139 of the IT Act), then deduction can be claimed by such Indian company of the amount of dividend distributed by it on or before the specified due date.

## II. Interest income

Interest income earned by Category II AIF characterised as 'Income from Other Sources' should be subject to tax in the hands of the Indian resident investors at the following rates:

Tax rate for beneficiaries who are resident companies (where taxable income exceeds INR 10 Crores) [Refer Note (i)]	Tax rate for beneficiaries who are resident companies (where taxable income exceeds INR 1 Crore but not INR 10 Crores) [Refer Note (i)]	Tax rate for beneficiaries who are resident firms and /or LLP (where taxable income exceeds INR 1 Crore)	Tax rate for any other resident beneficiaries being Individual, HUF, AOP and BOI etc. (where taxable income exceeds INR 50 lakhs but not INR 1 Crore) [Refer Note (ii)]	Tax rate for any other resident beneficiaries being Individual, HUF, AOP and BOI etc. (where taxable income exceeds INR 1 Crore but not INR 2 Crores) [Refer Note (ii)]	Tax rate for any other resident beneficiaries being Individual, HUF, AOP and BOI etc. (where taxable income exceeds INR 2 Crores but not INR 5 Crores) [Refer Note (ii)]	Tax rate for any other resident beneficiaries being Individual, HUF, AOP and BOI etc. (where taxable income exceeds INR 5 Crores)
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						Crores) [Refer Note (ii)]
%	%	%	%	%	%	%
34.94/29.12/25.17/17.16	33.38/27.82/25.17/17.16	34.94	34.32	35.88	39.00	42.74

**Notes:**

- Tax rates for domestic companies: As per the Finance Act, 2022, a reduced tax rate of 25% (plus applicable surcharge and cess) in case of domestic companies having total turnover or gross receipts not exceeding INR 400 Crores in the financial year 2020-21 is applicable. In such a case, the rate of tax on interest income shall be 29.12% (where total income exceeds INR 10 Crores) and 27.82% (where total income exceeds INR 1 Crore but does not exceed INR 10 Crores). Further, the effective tax rates for domestic companies exercising the option under section 115BAA and section 115BAB of the IT Act shall be 25.17% and 17.16% respectively, subject to fulfilment of conditions prescribed therein.
- As per section 115BAC of the IT Act, the Individuals and HUFs will have an option to pay tax on its total income at the specified reduced tax rates. The total income would, however, have to be computed without claiming specified deductions or exemptions.
- Section 57(iii) of the IT Act allows deduction for expenses which are not capital in nature and which are laid out or expended wholly and exclusively for the purpose of making or earning interest income.
- As per the Finance Act, 2022 in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15% and accordingly, in that case, effective tax rate will be maximum of 35.88% in a case where taxable income exceeds INR 1 Crore.

### III. Capital Gains

As stated earlier, the character of income in the hands of the investors should be derived from the character of income earned by the Fund. Where the gains derived by Scheme - I on transfer of securities is characterised as capital gains, the consequent tax implications are discussed below:

As per section 45 of the IT Act, any profits or gains arising from the transfer of capital assets are chargeable to income tax under the head 'capital gains'. Section 48 of the IT Act provides that income chargeable as 'capital gains' is the difference between the full value of the consideration received or accrued for the transfer, on one hand, and the cost of acquisition / indexed cost of acquisition (as applicable) of such asset plus expenditure incurred wholly and exclusively in connection with such transfer, on the other.



Under the IT Act capital gains will be taxable in the hands of the investors depending on the nature of securities and the period of holding. The capital gains will be classified as long-term capital gains (“LTCG”) or shortterm capital gains (“STCG”) depending upon the period of holding of the assets as below:

Type of instrument	Period of holding	Nature of income
Listed securities (other than units), units of equity oriented mutual fund or a zero-coupon bond	More than 12 months	Long-term capital asset
	12 months or less	Short-term capital asset
Shares of a company (other than shares listed on a recognised stock exchange in India)	More than 24 months	Long-term capital asset
	24 months or less	Short-term capital asset
Other securities (including units of the Fund)	More than 36 months	Long-term capital asset
	36 months or less	Short-term capital asset

As discussed above, depending on the period for which the securities are held, the gains shall be characterised as LTCG or STCG. Applicable tax rates for resident investors under different scenarios has been provided below:

Nature of Income	Tax rate for beneficiaries who are resident companies (where taxable income exceeds INR 10 Crores)	Tax rate for beneficiaries who are resident companies (where taxable income exceeds INR 1 Crore but not 10 Crores)	Tax rate for beneficiaries who are resident firms and /or LLP (where taxable income exceeds INR 1 Crore)	Tax rate for any other resident beneficiaries being Individual, HUF, AOP and BOI etc. (where taxable income exceeds INR 50 lakhs but not INR 1 Crore)	Tax rate for any other resident beneficiaries being Individual, HUF, AOP and BOI etc. (where taxable income exceeds INR 1 Crore but not INR 2 Crores)	Tax rate for any other resident beneficiaries being Individual, HUF, AOP and BOI etc. (where taxable income exceeds INR 2 Crores but not INR 5 Crores)	Tax rate for any other resident beneficiaries being Individual, HUF, AOP and BOI etc. (where taxable income exceeds INR 5 Crores)
	%	%	%	%	%	%	%
STCG on transfer of	17.47 / 17.16	16.69 / 17.16	17.47	17.16	17.94	17.94	17.94

(i) listed equity shares on a recognised stock exchange, (ii) to be listed equity shares sold through offer for sale or (iii) units of equity oriented fund or (iv) units of a business trust and on which applicable STT has been paid						(Refer Note vi)	(Refer Note vi)
Other STCG	34.94 / 29.12 / 25.17	33.38 / 27.82 / 25.17	34.94	34.32	35.88	39.00	42.74
	(Refer Note iii, iv and v)	(Refer Note iii, iv and v)					
LTCG on transfer of (i) listed equity shares on a recognised stock exchange, (ii) to be listed equity shares sold through offer for sale or (iii) units of equity oriented fund (iv) units of a	11.65 / 11.44 (without indexation)	11.13 / 11.44 (without indexation)	11.65 (without indexation)	11.44 (without indexation)	11.96 (without indexation)	11.96 (without indexation) (Refer Note vi)	11.96 (without indexation) (Refer Note vi)

business trust and on which STT has been paid (Refer Note i)							
LTCG on transfer of listed bonds or listed debentures (Refer Note ii)	11.65 / 11.44	11.13 / 11.44	11.65	11.44	11.96	11.96	11.96
	(without indexation)	(without indexation)	(without indexation)	(without indexation)	(without indexation)	(without indexation)	(without indexation)
LTCG on transfer of listed securities (other than units, listed bonds and listed debentures) and on which STT has not been paid	11.65 / 11.44	11.13 / 11.44	11.65	11.44	11.96	11.96	11.96
	(without indexation) or	(without indexation) or	(without indexation) or	(without indexation) or	(without indexation) or	(without indexation) or	(without indexation) or
	23.30 / 22.88	22.26 / 22.88	23.30	22.88	23.92	23.92	23.92
	(with indexation), whichever is lower	(with indexation), whichever is lower	(with indexation), whichever is lower	(with indexation), whichever is lower	(with indexation), whichever is lower	(with indexation), whichever is lower	(with indexation), whichever is lower
LTCG on transfer of units of mutual fund (listed or unlisted) other than equity oriented fund	22.88 / 23.30	22.88 / 22.26	23.30	22.88	23.92	23.92	23.92
	(with indexation)	(with indexation)	(with indexation)	(with indexation)	(with indexation)	(with indexation)	(with indexation)
LTCG on transfer of unlisted bonds or unlisted debentures	22.88 / 23.30	22.88 / 22.26	23.30	22.88	23.92	23.92	23.92
	(without indexation)	(without indexation)	(without indexation)	(without indexation)	(without indexation)	(without indexation)	(without indexation)
LTCG on transfer of unlisted securities (other than	22.88 / 23.30	22.88 / 22.26	23.30	22.88	23.92	23.92	23.92
	(with indexation)	(with indexation)	(with indexation)	(with indexation)	(with indexation)	(with indexation)	(with indexation)

unlisted bonds and unlisted debentures)							
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Notes:

- i. LTCG above INR 1 lakh on following transfers shall be taxable at 10% (excluding surcharge and cess):
  - listed equity shares (STT paid on acquisition and transfer)
  - units of equity oriented fund (STT paid on transfer); and
  - units of business trust (STT paid on transfer)

Benefit of the computation of gains in foreign currency and cost inflation index shall not be available on such gains. The CBDT has issued a notification to specify the transactions where the condition of payment of STT on acquisition would not apply for applying tax rate of 10% on transfer of listed equity shares.

- ii. Based on judicial precedents, residents may avail the concessional tax rate (as mentioned above). However, the possibility of Indian Tax Authorities disregarding the said position and applying a tax rate of 20% (plus applicable surcharge and cess) cannot be ruled out.
- iii. The Finance Act, 2022 has reduced the tax rate to 25% (plus applicable surcharge and cess) in case of domestic companies having total turnover or gross receipts not exceeding INR 400 Crores in the financial year 2020-21.
- iv. Section 115BAA of the IT Act provides for a lower tax rate of 22% in case of certain domestic companies subject to fulfilment of certain conditions. Further, surcharge rate at the rate of 10% and cess at the rate of 4% is applicable to companies opting to tax rate under the aforesaid section.
- v. Section 115BAB of the IT Act provides for a lower tax rate of 22% for short term capital gains on non-depreciable capital assets in case of certain domestic manufacturing companies subject to fulfilment of certain conditions. Further, surcharge rate at the rate of 10% and cess at the rate of 4% is applicable to companies opting to tax rate under the aforesaid section. In order to provide relief to such companies, section 115BAB has been amended by the Finance Act, 2022 so as to extend the date of commencement of manufacturing or production of an article or thing, from 31st March 2023 to 31st March 2024.
- vi. Surcharge on capital gains taxable under section 111A or section 112A of the IT Act is restricted to 15%.
- vii. As per section 50CA of IT Act, if there is a transfer of a capital asset being unquoted shares of a company at a value lesser than the fair market value, then the fair market value would be deemed to be the full value of sale consideration for computing the capital gains for such unquoted shares. The CBDT vide notification dated July 12, 2017 (with effect from April 1, 2017) has issued rules for computation of FMV for the purpose of section 50CA of the IT Act. The taxability of such gains would be as discussed above.

The CBDT vide notification no. 42 /2020/F. No.370149/143/2019-TPL dated 30 June 2020 has notified Rule 11UAD which provides that the above provision shall not apply to any consideration received / accruing on transfer from such class of persons and subject to fulfilment of conditions as prescribed. The cost of acquisition of bonus shares should be taken as 'Nil' while computing capital gains on transfer of such bonus shares.

- viii. As per the Finance Act, 2022 in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15%.

- ix. As per the Finance Act, 2022 in case of long-term capital gains under section 112 of the Act, the rate of surcharge on the amount of income-tax shall not exceed 15%.

### 3.3. Taxability in the hands of Non-Resident investors

A non-resident Investor will be subject to taxation in India with respect to its worldwide income only if it qualifies as a tax resident of India. However, where such non-resident Investor is regarded as a non-resident in India for tax purposes, it shall be taxed in India only to the extent of its income that accrues in India or is received in India or which is 'deemed to accrue or arise' or 'deemed to be received' in India.

#### Place of effective management ("POEM") for foreign companies

As per section 6 of the IT Act, a foreign company should be treated as a tax resident in India if its POEM is in India in that year. POEM has been defined to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.

The CBDT had vide its Circular dated January 24, 2017 issued guiding principles for determination of POEM of a company ("POEM Guidelines"). The POEM Guidelines lays down emphasis on POEM concept being 'substance over form' and further provides that place where the management decisions are taken would be more important than the place where the decisions are implemented for determining POEM. The CBDT had vide circular dated February 23, 2017 clarified that provisions of section 6(3)(ii) relating to POEM would not apply to companies having turnover or gross receipts of INR 50 Crores or less than INR 50 Crores during the financial year.

#### Tax Treaty benefits

The taxation of non-resident investors is governed by the provisions of the IT Act, read with the provisions of the DTAA between India and the country of residence of such non-resident investor. As per section 90(2) of the IT Act, the provisions of the IT Act would apply to the extent they are more beneficial than the provisions of the Tax Treaty (subject to GAAR and MLI provisions discussed below).

Accordingly, availability of DTAA benefits should be a relevant factor in determining the Indian tax consequences in respect of such income in the hands of non-resident investors. However, no assurance can be provided that the DTAA benefits will be available to non-resident investors or the terms of the DTAA will not be subject to amendment or reinterpretation in the future.

The taxability of such income of the non-resident investors, in the absence of DTAA benefits, would be as per the provisions of the IT Act. Also, the taxability of the income of the non-resident investors, from a country with which India has no DTAA, would be as per the provisions of the IT Act. Further, the taxability under the DTAA depends upon the provisions under the applicable DTAA to the non-resident investor. In this section, taxation of the offshore investors is discussed without discussing applicable Treaty benefits which will need to be evaluated by the relevant investors in consultation with their respective advisors.

#### Tax Residency Certificate ('TRC')

Section 90(4) of the IT Act provides that in order to claim DTAA benefits, the non-resident investor has to obtain a TRC as issued by the foreign government. Further, the non-resident investor should be required to furnish such other information or document as prescribed. In this connection, the CBDT vide its notification dated August 1, 2013 amended Rule 21AB of the IT Rules prescribing certain information in Form No 10F to be produced along with the TRC, if the same does not form part of the TRC.

The details required to be furnished are as follows:

- Status (individual, company, firm, etc.) of the assessee;
- Nationality (in case of an individual) or country or specified territory of incorporation or registration (in case of others);
- Assessee's tax identification number in the country or specified territory of residence and in case there is no such number, then, a unique number on the basis of which the person is identified by the government of the country or the specified territory of which the assessee claims to be a resident;
- Period for which the residential status, as mentioned in the TRC, is applicable; and
- Address of the assessee in the country or specified territory outside India, during the period for which the TRC is applicable.

The additional information prescribed above may not be required to be provided if it already forms a part of the TRC.

CBDT Circular dated 3 July 2019 - Investment outside India by non-resident through Category I AIF/ Category II AIF

The CBDT clarified that any income in the hands of the non-resident investor from offshore investments routed through the Category I or Category II AIF, being a deemed direct investment outside India by the non-resident investor, is not taxable in India under section 5(2) of the ITA. It further clarified that loss arising from the off-shore investment relating to non-resident investor, being an exempt loss, shall not be allowed to be set-off or carried-forward and set off against the income of the Category I or Category II AIF.

The Indian income-tax implications under the IT Act (subject to (i) availability of Treaty benefits; and (ii) income is not characterized as business income in the hands of the Fund) in the hands of the non-resident Investor are discussed as follows:

#### I. Dividends

Dividend income shall be chargeable to tax directly in the hands of Investors in the Fund. Such dividend income should be subject to tax in the hands of the non-resident investors as per the provisions of IT Act as under:

Tax rate for beneficiaries being foreign companies (where taxable income exceeds INR 10 Crores)	Tax rate for beneficiaries being foreign companies (where taxable income exceeds INR 1 Crore but not 10 Crores)	Tax rate for non-resident beneficiaries being Individual, AOP and BOI (where taxable income exceeds INR 50 lakhs but not INR 1 Crore)	Tax rate for non-resident beneficiaries being Individual, AOP and BOI (where taxable income exceeds INR 1 Crore but not INR 2 Crores)	Tax rate for non-resident beneficiaries being Individual, AOP and BOI (where taxable income exceeds INR 2 Crores but not INR 5 Crores)	Tax rate for non-resident beneficiaries being Individual, AOP and BOI (where taxable income exceeds INR 5 Crores)	Tax rates for other non – resident beneficiaries
%	%	%	%	%	%	%
21.84	21.22	22.88	23.92	26.00	28.50	23.30

Note: As per the Finance Act, 2022 in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15% and accordingly, in that case, effective tax rate will be maximum of 23.92% in a case where taxable income exceeds INR 1 Crore.

## II. Interest

Interest income on borrowing in Indian currency earned by Category II AIF and characterised as 'Income from Other Sources' should be subject to tax in the hands of the non-resident investors as per the provisions of IT Act as under:

Tax rate for the beneficiaries being foreign companies (where taxable income exceeds INR 10 Crores)	Tax rate for beneficiaries being foreign companies (where taxable income exceeds INR 1 Crore but not INR 10 Crores)	Tax rate for non-resident beneficiaries being Individual, AOP and BOI (where taxable income exceeds INR 50 lakhs but not INR 1 Crore)	Tax rate for non-resident beneficiaries being Individual, AOP and BOI (where taxable income exceeds INR 1 Crore but not INR 2 Crores)	Tax rate for non-resident beneficiaries being Individual, AOP and BOI (where taxable income exceeds INR 2 Crores but not INR 5 Crores)	Tax rate for non-resident beneficiaries being Individual, AOP and BOI (where taxable income exceeds INR 5 Crores)	Tax rates for other non – resident beneficiaries
%	%	%	%	%	%	%
43.68	42.43	34.32	35.88	39.00	42.74	34.94

Note:

- i. Section 57(iii) of the IT Act allows deduction for expenses which are not capital in nature and which are laid out or expended wholly and exclusively for the purpose of making or earning interest income.
- ii. As per the Finance Act, 2022 in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15% and accordingly, in that case, effective tax rate will be maximum of 35.88% in a case where taxable income exceeds INR 1 Crore.

### III. Capital Gains

As discussed above, depending on the period for which the securities are held, the gains would be characterised as LTCG or STCG. The Indian income tax implications in the hands of the Non-resident investors being a non-resident as per the IT Act shall depend on the characterisation of capital gains as mentioned below, subject to DTAA benefits, wherever applicable:

Nature of Income	Tax rate for beneficiaries being foreign companies (where taxable income exceeds INR 10 Crores)	Tax rate for beneficiaries being foreign companies (where taxable income exceeds INR 1 Crore but not 10 Crores)	Tax rate for non-resident beneficiaries being Individual, AOP and BOI (where taxable income exceeds INR 50 lakhs but not INR 1 Crore)	Tax rate for non-resident beneficiaries being Individual, AOP and BOI (where taxable income exceeds INR 1 Crore but not INR 2 Crores)	Tax rate for non-resident beneficiaries being Individual, AOP and BOI (where taxable income exceeds INR 2 Crores but not INR 5 Crores)	Tax rate for non-resident beneficiaries being Individual, AOP and BOI etc. (where taxable income exceeds INR 5 Crores)	Tax rates for other non – resident beneficiaries
	%	%	%	%	%	%	%
STCG on transfer of (i) listed equity shares through the recognised stock exchange, (ii) to be listed equity shares sold through offer for sale or (iii) units of equity oriented mutual fund or (iv) units of a business trust	16.38	15.91	17.16	17.94	17.94 (Refer Note v)	17.94 (Refer Note v)	17.47



and on which STT has been paid							
Any other STCG	43.68	42.43	34.32	35.88	39	42.74	34.94
LTCG on transfer of	10.92	10.61	11.44	11.96	11.96	11.96	11.65
(i) listed equity shares through the recognised stock exchange, (ii) to be listed equity shares sold through offer for sale or (iii) units of equity oriented mutual fund (iv) units of a business trust and on which STT has been paid (Refer Note ii)	(without indexation and foreign exchange fluctuation benefit)	(without indexation and foreign exchange fluctuation benefit)	(without indexation and foreign exchange fluctuation benefit)	(without indexation and foreign exchange fluctuation benefit)	(without indexation and foreign exchange fluctuation benefit)  (Refer Note v)	(without indexation and foreign exchange fluctuation benefit)  (Refer Note v)	(without indexation and foreign exchange fluctuation benefit)
LTCG on transfer of	10.92	10.61	11.44	11.96	11.96	11.96	11.65
listed bonds / listed debentures or other listed securities (other than units of mutual fund) on which STT has not been paid (Refer Note iii)	(without indexation)	(without indexation)	(without indexation)	(without indexation)	(without indexation)	(without indexation)	(without indexation)
LTCG on transfer of	21.84	21.22	22.88	23.92	23.92	23.92	23.30
units of mutual fund (listed) other than equity oriented fund	(with indexation)	(with indexation)	(with indexation)	(with indexation)	(with indexation)	(with indexation)	(with indexation)

LTCG on transfer of unlisted securities (including securities of a private company)	10.92	10.61	11.44	11.96	11.96	11.96	11.65
	(without indexation and foreign exchange fluctuation benefit)	(without indexation and foreign exchange fluctuation benefit)	(without indexation and foreign exchange fluctuation benefit)	(without indexation and foreign exchange fluctuation benefit)	(without indexation and foreign exchange fluctuation benefit)	(without indexation and foreign exchange fluctuation benefit)	(without indexation and foreign exchange fluctuation benefit)

**Notes:**

- i. The Indian tax authorities may not permit foreign exchange adjustments for computing capital gains taxable in the hands of Non-resident investors on a pass-through basis.
- ii. LTCG above INR 1 lakh on following transfers shall be taxable at 10% (excluding surcharge and cess):
  - listed equity shares (STT paid on acquisition and transfer)
  - units of equity oriented mutual fund (STT paid on transfer); and
  - units of business trust (STT paid on transfer)

Benefit of the computation of gains in foreign currency and cost inflation index shall not be available on such gains.

The CBDT has issued a notification to specify the transactions where the condition of payment of STT on acquisition would not apply for applying tax rate of 10% on transfer of listed equity shares.

Based on judicial precedents, non-residents may avail the concessional tax rate (as mentioned above). However, the possibility of Indian Tax Authorities disregarding the said position and applying a tax rate of 20% (plus applicable surcharge and cess) cannot be ruled out.

- iii. The non-resident investors shall be entitled to the beneficial provisions of the DTAA, if any, subject to providing a valid TRC along with Form 10F and claim a lower taxability of such income subject to fulfilment of the relevant conditions under the applicable DTAA.
- iv. Surcharge on capital gains taxable under section 111A or section 112A of the IT Act is restricted to 15%.
- v. As per Section 50CA of IT Act, if there is a transfer of unquoted shares of a company at a value lesser than the fair market value, then the fair market value would be deemed to be the full value of sale consideration for computing the capital gains for such unquoted shares. The CBDT vide notification dated July 12, 2017 (with effect from April 1, 2017) has issued rules for computation of FMV for the purpose of section 50CA of the IT Act. Where the actual sales consideration is disregarded and the fair market value, as computed under section 50CA read with the IT Rules is considered for the purpose of determination of capital gains, the investors or Scheme - I may be taxable on an amount that may be greater than gains actually realised. The taxability of such gains would be as discussed above.
- vi. The CBDT vide notification no. 42 /2020/F. No.370149/143/2019-TPL dated 30 June 2020 has notified Rule 11UAD which provides that the above provision shall not apply to any consideration received / accruing on transfer from such class of persons and subject to fulfilment of conditions as prescribed.
- vii. The cost of acquisition of bonus shares should be taken as 'Nil' while computing capital gains on transfer of such bonus shares.

- viii. As per the Finance Act, 2022 in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15%.
- ix. As per the Finance Act, 2022 in case of long-term capital gains under section 112 of the Act, the rate of surcharge on the amount of income-tax shall not exceed 15%.

#### 4. OTHER PROVISIONS / TAXATION ASPECTS

##### 4.1. Transfer of Units of the Fund

Gains arising on transfer of units of Scheme - I from one Unit holder to another should be subject to income-tax. Depending on facts of the case of each Unit holder, the gains can be characterised as 'capital gains' or as 'business income'. If the gains are characterised as either 'capital gains' or business income, then the same should be taxable at the rates mentioned above.

Further, the taxability shall depend on DTAA provisions, where applicable, and other facts of such non-resident investors such as, if characterised as business income, whether the non-resident investor has a permanent establishment in India or not, etc.

##### 4.2. Redemption premium

There are no specific provisions under the IT Act, with regard to the characterisation of the premium received on redemption of debentures. Considering the fact that the securities are held as a capital asset, premium on redemption of securities should either be treated as 'interest' or as 'capital gains'. The characterisation of premium on redemption of securities as interest or a capital gains has to be decided based on factors surrounding the relevant case. Taxability of 'interest' and 'capital gains' in the hands of the investors is provided in earlier paragraphs.

##### 4.3. Temporary Investments – Other income from mutual funds, fixed deposits etc.

- The income in the nature of interest on fixed deposits would be subject to tax in the hands of resident and non-resident investors at the tax rates mentioned above for interest income.
- Distribution from mutual fund other than units purchased in foreign currency would be subject to tax in the hands of resident and non-resident investors at the tax rates mentioned above for interest income.
- Gains arising on transfer of units of Mutual Fund should be subject to income-tax. Where the gains are characterised as 'capital gains', then the same should be taxable at the rates as provided in the table above.
- Where the gains are characterised as 'business income', then such income should be taxable in the hands of Scheme - I at the maximum marginal rate of tax of 42.74%.

##### 4.4. Deemed income on investment in shares / securities

As per section 56(2)(x) of the IT Act, where any person receives from any other person after April 1, 2017 any sum of money or any property including shares or securities without consideration or for a consideration which is lower than the FMV by more than INR 50,000, the shortfall in consideration is taxable in the hands of the acquirer as 'income from other sources' ('Other Income').

In case Scheme - I acquires shares / securities of a company for a consideration which is lower than the FMV or without consideration as mentioned above, then difference between the FMV and the acquisition price shall be chargeable to tax under the head 'Income from Other Sources'. As the

income of Scheme - I not being in the nature of business income is exempt from tax in its hands and such income is chargeable to tax in the hands of the investors, such other income shall be directly taxable in the hands of the investors.

The rules for determining the FMV of shares / securities have been prescribed under the IT Rules. As per the IT Rules, where the listed shares / securities are acquired through a transaction on the stock exchange, the transaction value is prescribed to be the FMV of such shares / securities. The aforesaid principle is applicable in case of shares / securities that are quoted on the stock exchange with regularity from time to time. Further, a separate mechanism is prescribed where such quoted shares / securities are acquired otherwise than through a stock exchange. In case of unlisted equity shares, the FMV would be based on the adjusted book values of assets and liabilities subject to adjustments prescribed in Rule 11UA of the IT Rules, whereas, the FMV of all other shares and securities other than equity shares would be based on the market value of such shares and securities as certified by a merchant banker or chartered accountant.

The above provisions could also apply to receipt of units of Scheme - I by the investors. In case it is held that Other Income is earned by the investors, such Other Income would be chargeable to tax in the hands of resident as well as non-resident investors at the respective rates mentioned above for interest income, subject to DTAA benefits for non-resident investors. Further, the cost of the acquisition of the shares acquired would be deemed to be the FMV of the shares as determined in the preceding para.

The CBDT vide Notification No. 40/2020/F. No.370149/143/2019-TPL dated 29 June 2020 has in Rule 11UAC of the IT Rules provided that above provision shall not apply to any sum of money or any property received from such class of persons and subject to fulfilment of conditions as may be prescribed which includes shares received under NCLT approved 'oppression and mismanagement' related resolution plan.

#### 4.5. Deemed sale consideration on sale of unquoted shares

As per section 50CA of the IT Act, if there is a transfer of unquoted shares of a company at a value lesser than the FMV, then the FMV would be deemed to be the full value of sale consideration for computing the capital gains for such unquoted shares. The rules for determining the FMV of shares have been prescribed under the IT Rules.

As per the IT Act, the above provision shall not apply to any consideration received / accruing on transfer from such class of persons and subject to fulfilment of conditions as prescribed in Rule 11UAD of the IT Rules which includes transfer of shares under NCLT approved 'oppression and mismanagement' related resolution plan.

#### 4.6. Deductibility of expenses incurred by the Fund

For resident investors, the deduction of expenses incurred by Scheme - I should be subject to applicable provisions of the IT Act. For non-resident investors, expenses incurred by Scheme - I should not be allowed as a deduction for income taxable under the applicable DTAA on a gross basis.

#### 4.7. Income stripping

As per section 94(1) of the IT Act, where any person owning securities sells or transfers the same or similar securities and buys back or re-acquires those securities and the result of the transaction is that any interest becoming payable in respect of the securities is receivable otherwise than by such owner, the said interest payable, whether it would or would not have been chargeable to income tax apart from the provisions of section 94(1) of the IT Act, would be deemed to be the income of the owner of the securities and not to be the income of any other person subject to certain specified conditions.

As per section 94(2) of the IT Act, where any person has had at any time during any previous year any beneficial interest in any securities, and the result of any transaction relating to such securities or the income thereof is that, in respect of such securities within such year, either no income is received by him or the income received by him is less than the sum to which the income would have amounted if the income from such securities had accrued from day to day and been apportioned accordingly, then the income from such securities for such year shall be deemed to be the income of such person.

#### 4.8. Dividend stripping

Where any person buys or acquires any securities or units of a mutual fund or the Unit Trust of India within a period of 3 (three) months prior to the record date (i.e., the date that may be fixed by a company for the purposes of entitlement of the holder of the securities to receive dividend or by a mutual fund or the administrator of the specified undertaking or the specified company, for the purposes of entitlement of the holder of the units to receive income, or additional unit without any consideration, as the case may be) and such person (i) sells or transfers such securities within a period of 3 (three) months after such record date, or (ii) sells or transfers such unit within a period of 9 (nine) months after such record date, and (iii) the dividend or income on such securities or unit received or receivable by such person is exempt, then, any loss arising to such person on account of such purchase and sale of securities or unit, to the extent such loss does not exceed the amount of such dividend or income received or receivable, would be ignored for the purposes of computing his income chargeable to tax.

As per the Finance Act, 2022 the above provisions are extended to securities as well and the definition of unit is also modified, so as to include units of business trusts such as Infrastructure Investment Trust ('InvIT'), Real Estate Investment Trust ('REIT') and AIF, within the definition of units.

#### 4.9. Bonus stripping

Where any person buys or acquires any units of a mutual fund or the Unit Trust of India within a period of 3 (three) months prior to the record date (i.e., the date that may be fixed by a Mutual Fund or the administrator of the specified undertaking or the specified company, for the purposes of entitlement of the holder of the units to receive additional unit without any consideration) and such person is allotted additional units (without any payment) on the basis of holding of the aforesaid units on the record date, and if such person sells or transfers all or any of the original units within a period of 9 (nine) months after the record date while continuing to hold all or any of the additional units, then any loss arising to him on account of such purchase and sale of all or any of the units would be ignored for the purpose of computing his income chargeable to tax. Further, the loss so ignored would be deemed to be the cost of acquisition of such additional units as are held by him on the date of sale or transfer of original units.

As per the Finance Act, 2022 the above provisions are extended to securities as well and the definition of unit is also modified, so as to include units of business trusts such as Infrastructure Investment Trust ('InvIT'), Real Estate Investment Trust ('REIT') and AIF, within the definition of units.

#### 4.10. Expenditure incurred in relation to income not includible in the total income

As per the provisions of section 14A read with rule 8D of the IT Act, if any income of the Investor does not form part of the total income or is exempt under the provisions of the IT Act then any expenditure incurred by the Investor, directly or indirectly, in relation to such income will not be allowed as deduction for the purpose of calculating the total taxable income of the Investor. Finance Act, 2022 provides that this section shall always apply in a case where exempt income has not accrued or arisen or has not been received during the previous year relevant to an assessment year and the expenditure has been incurred during the said previous year in relation to such exempt income. This amendment will take effect from 1st April, 2022.

#### 4.11. Withholding tax provisions

Withholding of taxes with respect to income distributed by Portfolio Entities to the Fund

As per the CBDT notification, any income received by Scheme - I (other than business income) shall not be subject to withholding tax. Thus, any income receivable / received by Scheme - I (other than business income) from investments made in Portfolio Entities would not be subject to withholding tax provisions and the Portfolio Entities should not be liable to withhold tax at the time of credit or at the time of payment, whichever is earlier, of such income to the Fund.

Withholding Taxes with respect to income distributed by Scheme - I to Investors

Scheme - I would be required to deduct tax on any income with respect to which it is eligible to tax pass through, at the time of credit of such income to the account of the Investor or payment thereof whichever is earlier at the following rates:

- 10% where the Investor is a resident of India; and
- At rates in force (rates in force would effectively mean rates as per the IT Act or the applicable Tax Treaty, whichever is beneficial), where the Investor is a non-resident. It is further provided that no deduction shall be made in respect of any income that is not chargeable to tax under the IT Act. However, this is subject to the condition that the non-resident holds a valid Tax Residency Certificate ('TRC') and / or Form 10F and fulfils the eligibility requirements prescribed under the applicable Double Taxation Avoidance Agreement ('DTAA'). For extending the benefits under the Tax Treaty for the purpose of withholding taxes, TRC, Form 10F and any other documents as may be necessary could be called upon from the Investors.

Taxes withheld should ordinarily be available as credit against tax liability of Investors.

As per the provisions of the IT Act, the income accruing or arising to, or received by, the Fund, during a financial year, if not paid or credited to the unit holders, will be deemed to have been credited to the account of the unit holders on the last day of the financial year in the same proportion in which such unit holder should have been entitled to receive the income had it been paid during the financial year.

Further, as per the provisions of the IT Act, where any income is credited to any account, whether called "suspense account" or by any other name, in the books of accounts of the Fund, such credit shall

be deemed to be the income of the investors in respect of units of the Fund, and Scheme - I shall be responsible to withhold tax at above rates, at the time of credit of such income.

#### Tax deducted at source ("TDS") on purchase of goods

The Finance Act, 2021 has inserted section 194Q with effect from 1 July 2021 which mandates that any person, being a buyer who is responsible for paying any sum to any resident for purchase of any goods of the value or aggregate value exceeding INR 50 lakhs in any financial year, shall, at the time of credit of such sum to the account of the seller or at the time of payment, whichever is earlier, deduct an amount equal to 0.1% of such sum exceeding INR 50 lakhs. For the purpose of this provision, buyer shall mean any person whose total sales, gross receipts or turnover from the business carried on by him exceeds INR 10 Crores in the immediately preceding financial year.

It should, however, be noted that the abovementioned provisions are not applicable where (a) the tax is deductible under any of the provisions of the IT Act; or (b) the tax is collectible under the provisions of the IT Act other than a transaction on which the provision concerning TCS on sale of goods applies.

Further, by virtue of CBDT Notification No. 51/ 2015 dated 25 June 2015, any income (other than income chargeable under the head "Business income") received by a Category I or Category II AIF should not be subject to withholding tax. Thus, in light of the above notification withholding under section 194Q of the Act should not be applicable on any income paid to the Fund.

#### Withholding at a higher rate

The income-tax provisions provide that where a recipient of income or amount (which is subject to withholding tax) does not have a valid Permanent Account Number ('PAN'), then tax is required to be deducted by the payer at the higher of the following, i.e., rates specified in the relevant provisions of the IT Act, or rates in force or at 20%.

Accordingly, in case Unit holders do not have a valid PAN, then tax is required to be withheld by Scheme - I at a rate which is higher of following i.e., rates specified in the relevant provisions of IT Act or rates in force or at 20%.

However, based on the CBDT notification, the above-mentioned provisions of the IT Act are not applicable to non-residents, where payments made to such non-residents are in the nature of interest, royalty, fees for technical services, dividends as well as payments on transfer of any capital asset and they have provided certain specified details and documents as prescribed under Rule 37BC of the IT Rules.

Further, Finance Act, 2021 has introduced section 206AB in the IT Act with effect from 1 July 2021 whereby tax is required to be deducted at the higher of following i.e.,

- i. twice the rates specified in the relevant provisions of the IT Act, or
- ii. twice the rates in force, or
- iii. 5%

on payments made to a 'specified person'. For the purpose of the said section 'specified person' means a person who has not filed his tax returns for the immediately preceding two financial years\* and the time limit for filing such tax returns has lapsed, and the aggregate of tax deducted at source and tax

collected at source in his case is INR 50,000 or more in each of the two financial years. The provisions of section 206AB of the IT Act shall not apply to a non-resident payee who does not have a permanent establishment in India. Further, the said provision will also not apply to tax deducted at source under section 192, 192A, 194B, 194BB, 194LBC or 194N of the Act.

Where the provisions of section 206AA and 206AB of the IT Act are found to be applicable together, the higher of the two rates under the respective sections shall be applicable for deduction of taxes.

\*The Finance Act, 2022 has reduced the requirement of two years to one year by amending section 206CCA of the Act to provide that “specified person” to mean as a person who has not filed its return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is to be deducted or collected, as the case may be, and the amount of tax collected and deducted at source is Rs. 50,000 or more in the said previous year.

The Finance Act, 2022 has inserted section 194R which provides that any resident person responsible for providing any benefit or perquisite (whether convertible into money or not) arising from carrying out of a business or exercising of a profession by such resident, to another resident, should deduct tax at source at 10% of the value of such benefit or perquisite as specified in the Act, before providing such benefit or perquisite, as the case may be.

#### 4.12. Tax collected at source (“TCS”) on sale of goods

Section 206C(1H) of IT Act mandates that seller of goods (which would include shares and securities) shall collect tax @ 0.1% if:

- the receipt of sale consideration from a buyer exceeds INR 50 lakhs in the financial year; and
- if the total sales, gross receipts or turnover of the seller from his business exceeds INR 10 crores during the financial year immediately preceding the financial year in which the sale of goods is carried out.

It should however be noted that CBDT has issued a circular clarifying that the above provision shall not apply to transactions in shares and commodities transacted through recognised stock exchanges / recognised clearing corporations, including those located in International Financial Service Centres.

However, the aforesaid provisions shall not apply, if the buyer is liable to deduct tax at source under any other provision of this Act on the goods purchased by him from the seller and has deducted such amount.

Further, where the buyer (not being a non-resident who does not have a permanent establishment in India) does not furnish his PAN or Aadhar Number, tax shall be collected at the rate of 1% under section 206CC of the Act.

The Finance Act, 2021 has inserted a new section with effect from 1 July 2021 namely, 206CCA in the IT Act, to provide for higher rate of TCS which shall be higher of the following:

- (i) 5%; or
  - (ii) Twice the rate specified in the relevant provision of the Act
- where the recipient (not being a non-resident who does not have permanent establishment in India) has not filed income tax return in the last two financial years\* (and the timeline for filing such tax return has expired) and the aggregate of TDS and TCS in his case exceeds INR 50,000 in each such year.



Where the provisions of section 206CC mentioned above and 206CCA are found to be applicable together, the higher of the two rates under both sections would apply.

\*The Finance Act, 2022 has reduced two years requirement to one year by amending section 206CCA of the Act to provide that “specified person” to mean as a person who has not filed its return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is to be deducted or collected, as the case may be, and the amount of tax collected and deducted at source is Rs. 50,000 or more in the said previous year.

Applicability for the Fund: The provisions of section 206C(1H) of the IT Act should be applicable in the hands of a seller whose 'total sales, gross receipts or turnover from the business carried on by him' exceeds INR 10 crores during the financial year immediately preceding the financial year in which the sale of goods is carried out, subject to certain exceptions. Considering that the Fund would be engaged in the investment activity and would not have any turnover from business activity, it may be possible to argue that the provisions of section 206C(1H) ought not be applicable to the Fund. However, such argument is untested and litigation on this aspect cannot be ruled out.

#### 4.13. Minimum Alternate Tax ('MAT') / Alternate Minimum Tax ('AMT')

The IT Act provides for levy of MAT on corporates and AMT on non-corporates. If MAT / AMT is held to be applicable to the Unit holders, then income receivable by such Unit holders from their investment in the Fund, should also be included to determine the MAT / AMT.

##### A. Resident Unit holders

MAT at the rate of 15% plus surcharge and cess shall be levied on domestic companies except in case of life insurance companies referred to in section 115B and companies who have exercised option referred to in section 115BAA or section 115BAB.

For domestic companies exercising option to pay tax at the rate of 22% (plus applicable surcharge and cess) under section 115BAA of the IT Act, MAT credit shall not be available consequent to exercising such option.

The IT Act provides for the framework for computation of book profit for Indian Accounting Standards ('IndAS') compliant companies in the year of adoption and thereafter.

AMT at the rate of 18.5% (plus applicable surcharge and cess) is applicable to persons, other than companies except in cases where option referred to in section 115BAC or section 115BAD of the Act are exercised, subject to certain exceptions, on the adjusted total income if the tax amount so calculated under AMT is higher than the tax amount calculated under the normal provisions of the IT Act.

AMT credit shall not be available consequent to exercising option under section 115BAC/ 115BAD of the Act.

The MAT / AMT credit is available to be carry forward for a period of 15 years.

##### B. Non-resident Unit holders

The MAT provisions are not applicable to a non-resident provided, (a) the assessee is a resident of a country with which India has DTAA and the assessee does not have a PE in India; or (b) the assessee is a resident of a country with which India does not have a DTAA and is not required to seek registration under the Indian corporate law.

#### 4.14. Buy-back Proceeds

Gains arising on buy back of shares (listed / unlisted) shall be exempt in the hands of investors under section 10(34A) of IT Act. However, a distribution tax at the rate of 23.296% shall be payable by the Indian company on distribution of income by way of buyback of its shares if the buyback is in accordance with the provisions of the Companies Act. Such distribution tax will be payable on the difference between consideration paid by such Portfolio company for purchase of its own shares and the amount that was received by the Portfolio company at the time of issue of such shares, determined in a prescribed manner.

#### 4.15. Conversion of debentures / preference shares

##### Conversion of preference shares into equity shares

Conversion of preference shares of an Indian company into equity shares of that company is not regarded as a transfer under the IT Act. Hence, no capital gains should arise in the hands of the beneficiaries on conversion of convertible preference shares of an Indian company into equity shares. At the time of transfer of the equity shares received on conversion of convertible preference shares, the cost of acquisition of a convertible preference shares would be deemed to be the cost of acquisition of such equity shares. Further, the period of holding of the equity shares would include the period of holding of the convertible preference shares prior to conversion.

##### Conversion of debentures into shares

Scheme - I may, inter alia, invest in debt securities / debentures of Indian portfolio companies which may convert into shares of the company at a later date. Conversion of such debt securities / debentures of a company into shares of that company is not regarded as a transfer under the IT Act. Hence, no capital gains would arise in the hands of the beneficiaries on conversion of convertible debentures of a company into equity shares. At the time of transfer of the converted equity shares, the cost of acquisition of a convertible debenture would be deemed to be the cost of acquisition of such equity shares. Further, the holding period prior to conversion shall be included in the period of holding of the equity shares issued pursuant to conversion.

#### 4.16. Reporting to the income-tax authorities and the investors / Unit holders by the Fund

The Fund or the person responsible for crediting or making payment of income on behalf of the Fund shall furnish to the Investors (Form 64C) and to the prescribed income-tax authority (Form 64D), a statement in prescribed form and verified in such manner, giving details of the nature of the income paid or credited during the previous year and such other relevant details as prescribed.

As per section 139(4F) of the IT Act, every Fund shall furnish the return of income in respect of the income or loss i.e., it shall be mandatory for the Fund to file its return of income.

#### 4.17. Advance Tax

The Investors are required to discharge the taxes (net of the taxes withheld by the Fund) on their respective share of income in the Fund at the applicable rates. The Investors are therefore required to compute the advance tax liability in the manner as prescribed under the IT Act and discharge the advance tax liability, if any, on their respective share of income from the Fund.

As per the provisions of the IT Act, investors are required to discharge 15%, 45%, 75% and 100% of their advance tax liability on or before June 15, September 15, December 15 and March 15 of the current financial year respectively.

The Finance Act, 2021 has provided relaxation to insulate the taxpayers from payment of interest under section 234C of the IT Act in cases where accurate determination of advance tax liability is not possible due to the intrinsic nature of the dividend income but has excluded deemed dividend as per sub-clause (e) of clause (22) of section 2 of the IT Act. This amendment will take effect from 1st April 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

Any shortfall or delay in discharging the advance tax liability by the Investors may attract interest implications under section 234B and 234C of the IT Act.

#### 4.18. Transfer Pricing

As per the provisions of the IT Act, any international transaction between two associated enterprises should be subject to transfer pricing provisions under the IT Act. In addition, thereto, there could be certain transactions with non-associated enterprises which can be deemed to be international transaction where the prescribed conditions are met and subject to transfer pricing provisions.

Non-filing of Transfer Pricing report as well as non-maintenance of Transfer Pricing documentation could trigger penalty implications under IT Act.

#### 4.19. Provisions related to indirect transfer

- Under the provisions of the IT Act, transfer of shares or interest in an offshore company or entity which derives, directly or indirectly, its value substantially from the assets located in India could be subject to indirect transfer provisions in India.
- Accordingly, if the underlying investors in the foreign company / firm transfers their share or interest in the foreign company, which derives substantial value from assets located in India, such transfer could trigger indirect transfer provisions in India which are discussed below.
- IT Act provides a set of circumstances in which income accruing or arising, directly or indirectly, is taxable in India. One of the limbs which provide for such circumstances include income accruing or arising directly or indirectly “through” the transfer of a capital asset situated in India. The expression “through” is clarified to mean “by means of,” “in consequence of” or “by reason of.” Further, it is clarified that any share or interest in a company or entity registered / incorporated outside India shall be deemed to have been situated in India if the share or interest derives, “directly or indirectly”, its value substantially from the assets located in India.
- The CBDT released a circular that the indirect transfer provisions shall not apply in respect of income accruing or arising to a non-resident on account of redemption or buyback of its share or interest held indirectly in the Category I or II AIF or a Venture Capital Company or a Venture Capital Fund (‘Specified Funds’) if such income accrues or arises from or in consequence of transfer of shares or securities held in India by the Specified Funds and such income is chargeable to tax in India. Further, it is provided that the above benefit shall be applicable only in cases where the

redemption or buyback proceeds arising to the non-resident do not exceed the pro-rata share of the non-resident in the total consideration realised by the Specified Funds from the underlying transfer of shares and securities in India.

- CBDT has issued a circular clarifying that dividends declared and paid by a foreign company outside India in respect of shares which derive their value substantially from assets situated in India would not be deemed to be income accruing or arising in India by virtue of the indirect transfer provisions under the IT Act.
- The IT Act has restricted the exemption from indirect transfer provisions to Category I foreign portfolio investors registered under Securities Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019.
- The rate at which the aforesaid offshore indirect transfers would be taxable could be either as provided in the IT Act or under the respective DTAA, as may be applicable. If any indirect transfer is taxable then withholding provisions would also get triggered including the requirement of furnishing of permanent Account Number.

#### 4.20. General Anti-Avoidance Rules ('GAAR')

GAAR may be invoked by the Indian income-tax authorities in case arrangements are found to be impermissible avoidance arrangements. A transaction can be declared as an impermissible avoidance arrangement, if the main purpose of the arrangement is to obtain a tax benefit and which satisfies one of the 4 (four) tests mentioned below:

- a) Creates rights or obligations which are ordinarily not created between parties dealing at arm's length;
- b) It results in direct / indirect misuse or abuse of the IT Act;
- c) It lacks commercial substance or is deemed to lack commercial substance in whole or in part; or
- d) It is entered into or carried out in a manner, which is not normally employed for bona fide business purposes.

In such cases, the tax authorities are empowered to reallocate the income from such arrangement or re-characterise or disregard the arrangement. Some of the illustrative powers are:

- a) Disregarding or combining or re-characterizing any step of the arrangement or party to the arrangement;
- b) Ignoring the arrangement for the purpose of taxation law;
- c) Relocating place of residence of a party, or location of a transaction or situs of an asset to a place other than provided in the arrangement;
- d) Looking through the arrangement by disregarding any corporate structure; or
- e) Reallocating and re-characterizing equity into debt, capital into revenue, etc.
- f) Disregarding or treating any accommodating party and other party as one and the same person;
- g) Deeming persons who are connected to each other parties to be considered as one and the same person for the purposes of determining tax treatment of any amount.

The above terms should be read in the context of the definitions provided under the IT Act. Any resident or non-resident may approach the Authority for Advance Rulings to determine whether an arrangement can be regarded as an impermissible avoidance arrangement. The GAAR provisions shall be applied in accordance with such guidelines and subject to such conditions and manner as may be prescribed.

The provisions of GAAR are to be applicable with effect from financial year 2017-18 and onwards.

#### 4.21. Multilateral Instrument ('MLI')

The Organisation of Economic Co-operation and Development ('OECD') released the Multilateral Convention to implement Tax Treaty related measures to prevent Base Erosion and Profit Shifting.

The MLI, amongst others, includes a "principal purpose test", wherein Tax Treaty benefits can be denied if one of the principal purpose of an arrangement or a transaction was to, directly or indirectly, obtain tax benefit. The MLI has also expanded the scope of permanent establishment to include agent (excluding an independent agent) playing principal role, leading to routine conclusion of contracts without material modification. For this purpose, an agent is not considered independent if it acts exclusively or almost exclusively on behalf of one or more closely related enterprises.

India has been an active participant in the entire discussion and its involvement in the BEPS project has been intensive. In a ceremony held in Paris on 7 June 2017, various countries including India, signed the MLI.

The Union Cabinet of India issued a press release dated 12 June 2019 approving the ratification of the MLI to implement tax treaty related measures to prevent BEPS. The application of MLI to a tax treaty is dependent on ratification as well as positions adopted by both the countries signing a tax treaty.

On 9 August 2019, India had notified the provisions of Multilateral Convention under section 90(1) of the IT Act and has specified the date of entry into force as 1 October 2019.

In order to prevent the granting of tax treaty benefits in inappropriate circumstances and to align it with the Multilateral Convention to implement Treaty related measures to prevent Base Erosion and Profit Shifting, the Finance Act, 2020 has amended Section 90(1) to provide that the Central Government shall enter into agreement(s) for the avoidance of double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty shopping arrangements aimed at obtaining reliefs provided in the said agreement for the indirect benefit to residents of any other country or territory).

Once MLI evolves in future, one would need to analyse its impact at that point in time on the existing tax treaties that India has entered into with other countries.

#### 4.22. FATCA Guidelines

According to the Inter-Governmental Agreement read with the United States Foreign Account Tax Compliance Act (FATCA) provisions, certain 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.
- 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.

#### 4.23. Other Applicable Taxes

##### Securities Transaction Tax

Scheme - I will be liable to pay STT on the transactions entered on a recognised stock exchange in India at the following rates:

Transactions/Particulars	Payable by Purchaser	Payable by Seller
Delivery based purchase transaction in equity shares entered into in a recognised stock exchange	0.1%	N.A.
Delivery based sale transaction in equity shares entered in a recognised stock exchange	N.A.	0.1%
Non-delivery based sale transaction in equity shares or units of equity oriented fund entered in a recognised stock exchange	N.A.	0.025%
Delivery based sale transaction of unit of equity oriented fund	N.A.	0.001%
Sale of options in securities	0.125% of the difference between the strike price and settlement price of the option (In case option is exercised)	0.017%
Sale of futures in securities	N.A.	0.01%
Sale of a unit of an equity oriented fund to the Mutual Fund	N.A.	0.001%
Sale of unlisted shares under an offer for sale	N.A.	0.2%
Sale of unlisted units of business trust under an offer for sale	N.A.	0.2%

Note: No STT is applicable on sale or purchase of units of the Fund.

##### Good and Service Tax ('GST')

GST will be applicable on services provided by the Manager and Trustee to the Fund. GST at the rate of 18% would be levied on the fees payable towards investment management fee and Trusteeship Fees payable by Scheme - I to the Manager and Trustee, respectively.

In a recent decision of the Bangalore Tribunal in the context of service tax law concerning a Fund structure, it was held that the Funds manage investor money and such activity is a taxable service, akin to that of a banking and financial institution. Accordingly, the Tribunal held that the Funds are liable to

pay service tax for the aforesaid service provided to the investors and confirmed the service tax demand on, inter alia, the portion of earnings that are retained by debiting expense from the value of the investments made in the Funds. This matter is sub judice currently. However, the risk of similar position adopted by the GST authorities under the GST laws (i.e., levying GST on all the expenses incurred by Scheme - I or sums debited to profit and loss account of the Fund) cannot be ruled out.

#### Stamp duty

SEBI vide circular dated 30 June 2020, has provided that issue, transfer and sale of units of the AIF shall be subject to stamp duty with effect from 1 July 2020. The rate of stamp duties with effect from 1 July 2020 is as follows:

Instrument	Stamp Duty Payable
Issuance of units of AIF securities	0.005%
Transfer of units of AIF	0.015%

#### 4.24. Units of AIF included in the definition of ‘securities’

The Finance Act, 2021 has amended the definition of ‘securities’ under Securities Contracts (Regulation) Act, 1956 (‘SCRA’) to inter-alia include the units issued by pooled investment vehicles such as AIF.

#### 4.25. Changes in Law

As an overall point, it should be borne in mind that income tax positions in the Alternative Investment Fund sector are in an evolutionary phase. Given this, while the comments outlined in this section factor in the prevalent general industry practices and current interpretations of tax laws, such positions may not have been specifically addressed or endorsed by the revenue / judicial authorities and could be subject to scrutiny.

Further, there can be no assurance that there will not be future legislative, judicial, or administrative changes in the law or interpretations thereof. Any such changes, which could be retroactive, could adversely affect the consequences, including the tax consequences, of an investment in the Fund.

#### IMPORTANT QUALIFICATION

THERE CAN BE NO GUARANTEE THAT THE ABOVE POSITION REGARDING TAXATION OF SCHEME - I AND TAXATION OF INVESTORS OF SCHEME - I SHOULD BE NECESSARILY ACCEPTED BY THE INCOME-TAX AUTHORITIES. NO REPRESENTATION IS MADE EITHER BY THE TRUSTEE OR THE MANAGER OR ANY EMPLOYEE, DIRECTOR, SHAREHOLDER OR AGENT OF THE MANAGER IN REGARD TO THE ACCEPTABILITY OR OTHERWISE OF THE ABOVE POSITION REGARDING TAXATION OF SCHEME - I AND TAXATION OF INVESTORS OF SCHEME - I BY THE INCOME TAX AUTHORITIES UNDER THE INCOME-TAX ACT, 1961.

THESE TAX CONSIDERATIONS ARE BASED ON THE CURRENT TAX LAWS IN INDIA, AND INTERPRETATION THEREOF. THESE PROVISIONS AND INTERPRETATIONS THEREOF MAY CHANGE IN THE FUTURE, IN WHICH CASE THE TAX CONSEQUENCES COULD CHANGE SUBSTANTIALLY. EACH PROSPECTIVE

UNITHOLDER IS URGED TO CONSULT ITS OWN ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF THE PURCHASE AND OWNERSHIP OF THE INVESTMENTS.



## SECTION XII: ILLUSTRATION OF FEES, EXPENSES AND OTHER CHARGES

### A. Assumptions

1. Term of the Scheme is considered to be 9 years.
2. The rates on which the fees / charges are computed are assumed numbers. We have assumed that the Fund will receive total capital commitment of INR 4,000 mn and the entire capital commitment will be drawn down and thus, the capital commitment and the capital contribution for the purpose of this illustration will be the same. The actual fees/charges may vary from this illustration. Further, in case of offshore investors eligible to subscribe for Class D1 or Class F units, their capital commitment would be fixed in INR based on the foreign exchange rate prevalent at the time of execution of their respective contribution agreement ('CA').
3. Set-up expenses: For the purpose of illustration, we have assumed set-up expenses at 2% of the amount of aggregate capital commitment of respective class of units. It is assumed that the set-up expenses shall be allocated to the holders of Class A1, Class A2, Class D1, Class D2 and Class F Unitholders. GST on set-up expenses is considered at 18%.
4. Operating expenses: For the purpose of illustration, we have assumed annual operating expenses of the Fund as 0.30% p.a. of the aggregate Capital Commitments of all the Classes of units and allocated to all the holders of Classes of Units. GST on operating expenses is considered at 18%.
5. Management Fees: For the purposes of this illustration, the Management Fees are computed at 2% of the Capital Contribution (assuming that entire capital commitment would be drawn down and invested immediately). The said fees shall be charged only to Class A1, Class A2, Class D1, Class D2 and Class F investors. GST on management fees is considered at 18%.
6. Trusteeship Fee: For the purposes of this illustration, one-time trusteeship fee is considered INR 0.125 million and 0.150 million p.a. for the life of the Scheme. The said fees shall be allocated to all the holders of Classes of Units. GST on trusteeship fees is considered at 18%.
7. Other Expenses: The Fund may incur expenses other than the expenses mentioned above (refer paragraph 21 titled 'Expenses (including operating expenses and set-up fee) charged to the fund' under "Section VII: Principal Terms of the Fund" for details). For ease of computation, it has been assumed that the Fund has not incurred any Other Expenses.

8. For the purposes of this illustration, the catch-up and additional return to be charged at following percentages:

Catch up - to be charged to Class A1, A2, D1, D2 and F units at 20%

Additional return Phase I (i.e. upto 30% IRR (pre-tax)): to be charged to Class A1, A2, D1, D2 and F units at 20%

Additional return Phase II (i.e. post 30% IRR (pre-tax)): to be charged to Class A1, A2, D1, D2 and F units till Catch-up and Additional return under Phase I reaches 25% and thereafter additional return would be charged at 25%.

Refer paragraph 25 titled 'Distributions' under "Section VII: Principal Terms of the Fund" for details).

9. For the purposes of this illustration, the inter se ratio of distribution of the return towards catch up and additional returns between Class B1, Class B2, Class B3, Class C, Class E1, and Class E2 unitholders is assumed as 10:30:30:10:10:10
10. The figures/numbers and calculations provided in this Annexure are all pre-tax. The taxation will be in accordance with the detailed provisions laid down in the Memorandum and accordingly the actual final numbers will vary depending on applicable tax treatment for the concerned assessment year.
11. For ease of computation, it has been assumed that the realization of investment proceeds and distributions to the contributors happens at the end of the Term.
12. In case of offshore investors eligible to subscribe for Class D1 or Class F units, their capital commitment would be fixed in INR based on the foreign exchange rate prevalent at the time of execution of their respective CA.
13. The illustrations provided in this Annexure are indicative and provided for reference only and investors should review and examine the detailed terms mentioned relevant sections in the Memorandum with respect to such fee/charges and actual distribution.
14. Goods and Service Tax (if applicable) on any payouts other than management fee, operating expense and set-up expenses is not considered in the distribution waterfall illustration and will be based on actuals.

15. The figures provided in this Annexure are representational only and should not be considered as a guarantee or any definite indication of the Scheme's likely performance. The final outcome would be a result of several factors as stated in the Memorandum and would be dependent upon the Scheme's actual performance.
16. For the purpose of this illustration, the assumed IRR achieved as mentioned under each scenario has been worked out on the basis of the gross amount of funds drawn down from the Investors and the gross amount of Investment Proceeds received by the Fund at the end of the life of the Fund.
17. For the purposes of this illustration, the exchange rate between USD and INR has been considered at USD 1 = INR 75 at the time of investment in the Fund. However, at the time of distribution it is considered as USD 1 = INR 77 assuming a depreciation in the rupee.

Exchange rate	1 USD
At the time of investment	75
At the time of distributions	77

Please note that the below tables are for illustration purposes only and actuals may differ.

### **SECTION XIII: DISTRIBUTION WATERFALL**

#### **A. Assumptions**

1. Term of the Scheme is considered to be 9 years.
2. The rates on which the fees / charges are computed are assumed numbers. We have assumed that the Fund will receive total capital commitment of INR 4,000 mn and the entire capital commitment will be drawn down and thus, the capital commitment and the capital contribution for the purpose of this illustration will be the same. The actual fees/charges may vary from this illustration. Further, in case of offshore investors eligible to subscribe for Class D1 or Class F units, their capital commitment would be fixed in INR based on the foreign exchange rate prevalent at the time of execution of their respective contribution agreement ('CA').

3. Set-up expenses: For the purpose of illustration, we have assumed set-up expenses at 2% of the amount of aggregate capital commitment of respective class of units. It is assumed that the set-up expenses shall be allocated to the holders of Class A1, Class A2, Class D1, Class D2 and Class F Unitholders. GST on set-up expenses is considered at 18%.
4. Operating expenses: For the purpose of illustration, we have assumed annual operating expenses of the Fund as 0.30% p.a. of the aggregate Capital Commitments of all the Classes of units and allocated to all the holders of Classes of Units. GST on operating expenses is considered at 18%.
5. Management Fees: For the purposes of this illustration, the Management Fees are computed at 2% of the Capital Contribution (assuming that entire capital commitment would be drawn down and invested immediately). The said fees shall be charged only to Class A1, Class A2, Class D1, Class D2 and Class F investors. GST on management fees is considered at 18%.
6. Trusteeship Fee: For the purposes of this illustration, one-time trusteeship fee is considered INR 0.125 million and 0.150 million p.a. for the life of the Scheme. The said fees shall be allocated to all the holders of Classes of Units. GST on trusteeship fees is considered at 18%.
7. Other Expenses: The Fund may incur expenses other than the expenses mentioned above (refer paragraph 21 titled 'Expenses (including operating expenses and set-up fee) charged to the fund' under "Section VII: Principal Terms of the Fund" for details). For ease of computation, it has been assumed that the Fund has not incurred any Other Expenses.
8. For the purposes of this illustration, the catch-up and additional return to be charged at following percentages:

Catch up - to be charged to Class A1, A2, D1, D2 and F units at 20%

Additional return Phase I (i.e. upto 30% IRR (pre-tax)): to be charged to Class A1, A2, D1, D2 and F units at 20%

Additional return Phase II (i.e. post 30% IRR (pre-tax)): to be charged to Class A1, A2, D1, D2 and F units till Catch-up and Additional return under Phase I reaches 25% and thereafter additional return would be charged at 25%.

Refer paragraph 25 titled 'Distributions' under "Section VII: Principal Terms of the Fund" for details).

9. For the purposes of this illustration, the inter se ratio of distribution of the return towards catch up and additional returns between Class B1, Class B2, Class B3, Class C, Class E1, and Class E2 unitholders is assumed as 10:30:30:10:10:10
10. The figures/numbers and calculations provided in this Annexure are all pre-tax. The taxation will be in accordance with the detailed provisions laid down in the Memorandum and accordingly the actual final numbers will vary depending on applicable tax treatment for the concerned

assessment year.

11. For ease of computation, it has been assumed that the realization of investment proceeds and distributions to the contributors happens at the end of the Term.
12. In case of offshore investors eligible to subscribe for Class D1 or Class F units, their capital commitment would be fixed in INR based on the foreign exchange rate prevalent at the time of execution of their respective CA.
13. The illustrations provided in this Annexure are indicative and provided for reference only and investors should review and examine the detailed terms mentioned relevant sections in the Memorandum with respect to such fee/charges and actual distribution.
14. Goods and Service Tax (if applicable) on any payouts other than management fee, operating expense and set-up expenses is not considered in the distribution waterfall illustration and will be based on actuals.
15. The figures provided in this Annexure are representational only and should not be considered as a guarantee or any definite indication of the Scheme's likely performance. The final outcome would be a result of several factors as stated in the Memorandum and would be dependent upon the Scheme's actual performance.
16. For the purpose of this illustration, the assumed IRR achieved as mentioned under each scenario has been worked out on the basis of the gross amount of funds drawn down from the Investors and the gross amount of Investment Proceeds received by the Fund at the end of the life of the Fund.
17. For the purposes of this illustration, the exchange rate between USD and INR has been considered at USD 1 = INR 75 at the time of investment in the Fund. However, at the time of distribution it is considered as USD 1 = INR 77 assuming a depreciation in the rupee.

Exchange rate	1 USD
At the time of investment	75
At the time of distributions	77

Please note that the below tables are for illustration purposes only and actuals may differ.

**B. Capital commitment received and drawn down**

Amount in INR million

**C. Distribution waterfall (i.e. allocation of returns to the unit holders)**

Scenario 1: The scheme is at loss for Class A1 unitholders

Hurdle Rate of Return (pre tax IRR) for Class A1, A2, D2, F (in INR)	10.00%
Hurdle Rate of Return (pre tax IRR) for Class D1 (in USD)	6.00%
Term of scheme (no. of years)	9
Assumed IRR	-4.00%

Amount in INR million

Scenario 2: The scheme is at no profit or no loss for Class A1 unitholders

Hurdle Rate of Return (pre tax IRR) for Class A1, A2, D2, F (in INR)	10.00%
Hurdle Rate of Return (pre tax IRR) for Class D1 (in USD)	6.00%
Term of scheme (no. of years)	9
Assumed IRR	2.68%

Amount in INR million

Scenario 3: The scheme has earned profits but less than the hurdle rate of return for Class A1 unitholders

Amount in INR million

Hurdle Rate of Return (pre tax IRR) for Class A1, A2, D2, F (in INR)	10.00%
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Hurdle Rate of Return (pre tax IRR) for Class D1 (in USD)	6.00%
Term of scheme (no. of years)	9
Assumed IRR	5.00%

Scenario 4: The scheme has earned profits equal to the hurdle rate of return for Class A1 unitholders

Hurdle Rate of Return (pre-Tax IRR) for Class A1, A2, D2, F (in INR)	10.00%
Hurdle Rate of Return (pre-Tax IRR) for Class D1 (in USD)	6.00%
Term of scheme (no. of years)	9
Assumed IRR	11.33%

Amount in INR million

Scenario 5: The scheme has earned profits more than hurdle rate of return for Class A1 unitholders but less than the IRR of 30%

Hurdle Rate of Return (pre-Tax IRR) for Class A1, A2, D2, F (in INR)	10.00%
Hurdle Rate of Return (pre-Tax IRR) for Class D1 (in USD)	6.00%
Term of scheme (no. of years)	9
Assumed IRR	20.00%

Amount in INR million

Scenario 6: The scheme has earned profits more than hurdle rate of return for Class A1 unitholders and equal to the IRR of 30%

Hurdle Rate of Return (pre-Tax IRR) for Class A1, A2, D2, F (in INR)	10.00%
Hurdle Rate of Return (pre-Tax IRR) for Class D1 (in USD)	6.00%
Term of scheme (no. of years)	9
Assumed IRR	30.00%

Amount in INR million

Scenario 7: The scheme has earned profits more than hurdle rate of return for Class A1 unitholders and exceeding the IRR of 30%

Hurdle Rate of Return (pre-Tax IRR) for Class A1, A2, D2, F (in INR)	10.00%
Hurdle Rate of Return (pre-Tax IRR) for Class D1 (in USD)	6.00%
Term of scheme (no. of years)	9
Assumed IRR	35.00%

Amount in INR million



## **SECTION XIV: DISCIPLINARY HISTORY**

Disciplinary history of the Trust, Trustee, Sponsor/s, Investment Manager and their respective directors, promoters and Associates (as may be applicable) are provided hereunder

The Trust, Sponsor/s, Investment Manager and their respective directors and Associates (as may be applicable), Trustee of the Trust/ Fund and its directors have no disciplinary history. Please see the details below:

(1) Details of outstanding/pending and past cases (where the person has been found guilty) of litigations, criminal or civil prosecution, disputes, non-payment of statutory dues, overdues to/defaults against banks or financial institutions, contingent liabilities not provided for, proceedings initiated for economic offences or civil offences, adverse findings with respect to compliance with securities laws, penalties levied, disputed tax liabilities, etc.

None

(2) any disciplinary action taken by SEBI or any other regulatory authority (including the overseas regulator).

None

(3) Operational actions such as administrative warnings/deficiency letters.

None

The details with respect to the disciplinary history of Beacon Trusteeship Limited, i.e. the Trustee of the Trust/ Fund and its directors are provided hereunder:

(1) Details of outstanding/pending and past cases (where the person has been found guilty) of litigations, criminal or civil prosecution, disputes, non-payment of statutory dues, overdues to/defaults against banks or financial institutions, contingent liabilities not provided for, proceedings initiated for economic offences or civil offences, adverse findings with respect to compliance with securities laws, penalties levied, disputed tax liabilities, etc.

None

(2) any disciplinary action taken by SEBI or any other regulatory authority (including the overseas regulator).

None

(3) Operational actions such as administrative warnings/deficiency letters.

None

## SECTION XV: GLOSSARY

<b>Accredited Investors</b>	has the meaning as given to the term under the Regulations.
<b>Additional Commitment</b>	has the meaning assigned to such term in caption “ <i>Sponsors’ Capital Commitment</i> ” in “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Additional Return</b>	has the meaning assigned to such term in caption “ <i>Distribution</i> ” in “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>AIF</b>	means an alternative investment fund registered under the Regulations under an appropriate category.
<b>Applicable Law/s</b>	means any applicable statute, law, ordinance, regulation, rule, order, bye-law, administrative interpretation, writ, injunction, directive, judgment or decree or other instrument including the Regulations which has a force of law, as is in force from time to time.
<b>Associate</b>	has the meaning as given to the term in the Regulations.
<b>Auditor</b>	means any independent qualified firm of chartered accountants appointed by the Investment Manager as an auditor to the Trust/Fund.
<b>Beneficial Interest</b>	means the interest held by each of the Contributors in the Fund as determined in accordance with Annexure A of the Indenture.
<b>Business Day</b>	means any day, which is not a Saturday, Sunday, or a day on which the banks or stock exchanges in India are authorized or required by Applicable Laws to remain closed or such other events as the Investment Manager may specify from time to time.
<b>Capital Commitment</b>	means the amount agreed by a Contributor in writing, to be contributed to the Fund in accordance with the provisions of the Contribution Agreement.
<b>Capital</b>	means that portion of Capital Commitment contributed by a Contributor to the

<b>Contribution</b>	Fund, pursuant to issuance of the Drawdown Notice/s in accordance with the provisions of the Contribution Agreements and this Memorandum.
<b>Catch-up Contribution</b>	has the meaning assigned to such term in paragraph 11 titled “ <i>Unitholders Participating in Subsequent Closing</i> ” in “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Category II AIF</b>	means a Category II Alternative Investment Fund registered with SEBI under the Regulations.
<b>Cause</b>	has the meaning assigned to such term in paragraph 33 titled ‘ <i>Removal of the Investment Manager</i> ’ in “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Class</b>	with respect to the Units of the Fund means a class/Subclass/series or category of Units of the Fund, as distinct from another class/Subclass/series or category of Units of the Fund and is distinct from the rights and interest of Units of the other class/Subclass/series or category of Units vis-à-vis the respective Schemes of the Trust.
<b>Class A Units</b>	means the Units of the Fund, being offered through this Memorandum, to be issued to Contributors (including Units of Subclass/es, such as Class A1 Units, Class A2 Units and so on), in accordance with the terms of their respective Contribution Agreement, which represents Beneficial Interest of the respective Contributor in the Fund, the face value of which shall be Rs. 1,000 (Indian Rupees One Thousand).
<b>Class A1 Units</b>	means the Units of the Fund, being offered through this Memorandum, to be issued to Contributors resident in India, in accordance with the terms of their respective Contribution Agreement, which represents Beneficial Interest of the respective Contributor in the Fund, the face value of which shall be Rs. 1,000 (Indian Rupees One Thousand).
<b>Class A1 Distribution Proceeds</b>	has the meaning as assigned to such term in paragraph 25 titled “ <i>Distribution</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Class A2 Units</b>	means the Units of the Fund, being offered through this Memorandum, to be issued to Contributors resident outside India, in accordance with the terms of their respective Contribution Agreement, which represents Beneficial Interest of the respective Contributor in the Fund, the face value of which shall be Rs. 1,000 (Indian Rupees One Thousand).
<b>Class A2</b>	has the meaning as assigned to such term in paragraph 25 titled “ <i>Distribution</i> ”

<b>Distribution Proceeds</b>	under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Class B Units</b>	means the Units of the Fund, being issued to the Sponsor/s and/or their affiliates and/or such Eligible Person/s as the Investment Manager may designate (including Units of Subclass/es, such as Class B1 Units, Class B2 Units and so on) in accordance with the terms of their respective Contribution Agreements, which represents Beneficial Interest of such Contributor/s in the Fund, the face value of each shall be Rs. 1,000 (Indian Rupees One Thousand).
<b>Class B1 Units</b>	means the Units of the Fund, being issued to the Sponsor/s for Capital Commitments made towards maintaining a continuing interest in the Fund, which represents Beneficial Interest of such Contributor/s in the Fund, the face value of each shall be Rs. 1,000 (Indian Rupees One Thousand).
<b>Class B1 Distribution Proceeds</b>	has the meaning as assigned to such term in paragraph 25 titled “ <i>Distribution</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Class B2 Units</b>	means the Units of the Fund, being issued to the Sponsor/s and/or their affiliates on making an Additional Commitment in accordance with the paragraph 6 titled “ <i>Sponsors’ Capital Commitment</i> ” in “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum, which represents Beneficial Interest of such Contributor/s in the Fund, the face value of each shall be Rs. 1,000 (Indian Rupees One Thousand).
<b>Class B2 Distribution Proceeds</b>	has the meaning as assigned to such term in paragraph 25 titled “ <i>Distribution</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Class C Units</b>	means the Units of the Fund, being issued to the Investment Manager, employees/directors of the Investment Manager and/or employee welfare trust in accordance with the terms of their respective Contribution Agreements, which represents Beneficial Interest of such Contributor/s in the Fund, the face value of each shall be Rs. 1,000 (Indian Rupees One Thousand).
<b>Class C Distribution Proceeds</b>	has the meaning as assigned to such term in paragraph 25 titled “ <i>Distribution</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Class D Units</b>	means the Units of the Fund, being offered through this Memorandum to be issued to the Contributors resident outside India(including Units of Subclass/es, such as Class D1 Units, Class D2 Units and so on), in accordance with the terms of their respective Contribution Agreements, which represent Beneficial Interest of the respective Contributor in the Fund, the face value of each shall be Rs. 1,000 (Indian Rupees One Thousand).

<b>Class D1 Units</b>	means the Units of the Fund, being offered through this Memorandum to be issued to the Contributors resident outside India, making a minimum Capital commitment of USD 1,000,000 (United States Dollar One Million) in accordance with the terms of their respective Contribution Agreements, which represent Beneficial Interest of the respective Contributor in the Fund, the face value of each shall be Rs. 1,000 (Indian Rupees One Thousand).
<b>Class D1 Distribution Proceeds</b>	has the meaning as assigned to such term in paragraph 25 titled “ <i>Distribution</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Class D2 Units</b>	means the Units of the Fund, being offered through this Memorandum to be issued to feeder funds/pooled vehicles as may be designated by the Investment Manager which represent Beneficial Interest of the respective Contributor in the Fund, the face value of each shall be Rs. 1,000 (Indian Rupees One Thousand).
<b>Class D2 Distribution Proceeds</b>	has the meaning as assigned to such term in paragraph 25 titled “ <i>Distribution</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Class E Units</b>	means the Units of the Fund, being offered through this Memorandum to be issued to Eligible Persons who are strategically important/valuable to the Fund as the Investment Manager may designate and/or Accredited Investors, (including Units of Subclass/es, such as Class E1 Units, Class E2 Units and so on) in accordance with the terms of their respective Contribution Agreements, which represent Beneficial Interest of the respective Contributor in the Fund, the face value of each shall be Rs. 1,000 (Indian Rupees One Thousand).
<b>Class E1 Units</b>	means the Units of the Fund, being offered through this Memorandum to be issued to Eligible Persons who are strategically important/valuable to the Fund as the Investment Manager may designate, which represent Beneficial Interest of the respective Contributor in the Fund, the face value of each shall be Rs. 1,000 (Indian Rupees One Thousand).
<b>Class E1 Distribution Proceeds</b>	has the meaning as assigned to such term in paragraph 25 titled “ <i>Distribution</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Class E2 Units</b>	means the Units of the Fund, being offered through this Memorandum to be issued to Accredited Investors, which represent Beneficial Interest of the respective Contributor in the Fund, the face value of each shall be Rs. 1,000 (Indian Rupees One Thousand).
<b>Class E2 Distribution Proceeds</b>	has the meaning as assigned to such term in paragraph 25 titled “ <i>Distribution</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.

<b>Class F Units</b>	means the Units of the Fund, being offered through this Memorandum to be issued to Lead Investors as the Investment Manager may designate in accordance with the terms of their respective Contribution Agreements, which represent Beneficial Interest of the respective Contributor in the Fund, the face value of each shall be Rs. 1,000 (Indian Rupees One Thousand).
<b>Closing</b>	shall mean obtaining of Capital Commitments from the Contributors identified by the Investment Manager in accordance with the Fund Documents. Reference to Closing shall mean reference to First Closing, any Subsequent Closing(s) and the Final Closing (as the context may require).
<b>Co-Investor</b>	has the meaning assigned to such term in paragraph 34 titled “ <i>Co-investment</i> ” in “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Co-Investment</b>	means investments made by the Investment Manager from the commitments made by holders of the Co-Investors (under their respective Contribution Agreement) in any of the permissible securities/entities including investments in Portfolio Entities in accordance with this Memorandum.
<b>Commitment Period</b>	means the period within which the Contributors are required to make Capital Contributions, in accordance with the respective Contribution Agreement and will include extensions thereto, if any.
<b>Contributor / Investor</b>	means the Eligible Persons each of whom have made or agreed to make Capital Commitment to the Fund in accordance with the Contribution Agreements and this Memorandum and shall include without limitation any Eligible Persons becoming transferees of Units in accordance with the provisions of the Fund Documents.
<b>Compensatory Contribution</b>	has the meaning assigned to such term in paragraph 11 titled “ <i>Unitholders Participating in Subsequent Closing</i> ” in “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum
<b>Contribution Agreement</b>	means an agreement executed amongst the Trustee, the Investment Manager and each Contributor primarily to regulate acceptance, management, administration and disbursement of Capital Contributions and the distribution of income, gains and proceeds thereon and other terms described therein and as amended, modified, supplemented or reinstated from time to time, together with all annexure, schedules and exhibits, if any.
<b>Contribution Fund</b>	means the aggregate of Capital Contributions including any additions/reductions thereto and undistributed income accumulated in respect

	thereof but does not include the Initial Settlement and accretions thereto.
<b>Corpus</b>	means the aggregate amount of Capital Commitments made by the Contributors to the Fund by way of Contribution Agreements as on a particular date.
<b>Cure Period</b>	has the meaning as assigned to such term in paragraph 33 titled “ <i>Removal of the Investment Manager</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Deceased Investor</b>	has the meaning as assigned to such term in paragraph 16 titled “ <i>Transfer, Withdrawal and Transmission of Units</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Defaulting Contributor</b>	has the meaning as assigned to such term in paragraph 15 titled “ <i>Defaulting Contributors</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Default Amount</b>	has the meaning as assigned to such term in paragraph 15 titled “ <i>Defaulting Contributors</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Distribution Proceeds</b>	has the meaning as assigned to such term in paragraph 25 titled “ <i>Distribution</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Drawdown</b>	means the Capital Contribution made by a Contributor to the Fund (and realized by the Fund) against its respective Capital Commitment pursuant to the issuance of a Drawdown Notice.
<b>Drawdown Notice</b>	means notice under the Contribution Agreement issued by the Investment Manager to the Contributors of the Fund calling for the making of Capital Contribution from the amount of Capital Commitment.
<b>Eligible Person</b>	means a Person who: (i) complies with the know-your-customer (KYC) norms stipulated by the Investment Manager and SEBI, and (ii) is willing to execute necessary documentation as stipulated by the Investment Manager.
<b>Excess Distribution Amount</b>	has the meaning as assigned to such term in paragraph 30 titled “ <i>Clawback Of Additional Return</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Excused Contributor</b>	has the meaning as assigned to such term in paragraph 13 titled “ <i>Excused Contributor</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.

	<b>FUND</b> ” of this Memorandum.
<b>First Closing</b>	has the meaning as assigned to such term in paragraph 10 titled “ <i>Closings</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Final Closing</b>	has the meaning as assigned to such term in paragraph 10 titled “ <i>Closings</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Follow-on Investment</b>	means an investment by the Fund in the securities of Portfolio Entities in which the Fund holds securities at the time of investment or made in such other entity for the purpose of preservation of any existing Portfolio Investments.
<b>Fund</b>	means <b>Elev8-Capital Fund I</b> , which is a Scheme of the Trust.
<b>Fund Expenses</b>	means and includes all fees and expenses provided under paragraph 17 “ <i>Management Fee</i> ” and under paragraph 21 “ <i>Expenses (including Operating Expenses and Set-up Expense) charged to the Fund</i> ” in “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Fund Investments/ Portfolio Investments</b>	means investments made by the Investment Manager (pursuant to the terms of the Investment Management Agreement) from the Investable Funds on behalf of the Fund in any of the permissible securities/entities including investments in Portfolio Entities.
<b>Government</b>	means any Indian central, state or local government authority, agency, branch or body or any instrumentality thereof.
<b>Grace Period</b>	has the meaning assigned to such term in paragraph 15 titled “ <i>Defaulting Contributors</i> ” in “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>GST</b>	means goods and services tax.
<b>Hurdle Rate of Return</b>	has the meaning given to such term in paragraph 24 titled “ <i>Hurdle Rate of Return</i> ” in “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Indemnified Persons</b>	has the meaning as assigned to such term in paragraph 14 titled “ <i>Indemnification</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.



<b>Interested Parties</b>	means the Investment Manager, Sponsor/s and their affiliate/group entities, directors, employees and agents.
<b>Invested Funds</b>	with respect to a Contributor or Class (including a Subclass), shall mean aggregate amounts utilised from Capital Contributions of such Contributor or Class (post appropriating/adjusting the Fund Expenses/charges, as applicable) towards Fund Investments.
<b>Investable Funds</b>	means the Corpus as reduced by the expenditure towards permissible costs/expenses/fees/such other adjustments provided in the Fund Documents, estimated for the Term of the Fund. Such Investable Funds shall be invested in terms of the Fund Documents.
<b>Investment Proceeds</b>	has the meaning as assigned to such term in paragraph 25 titled “ <i>Distributions</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Indenture</b>	means the indenture of trust dated May 20, 2022, executed by and between the Settlor and the Trustee for the creation of the Trust and registered under the provisions of the Registration Act, 1908, as may be further amended, modified or superseded from time to time.
<b>Indian Rupees or Rs. or INR</b>	means the currency of the Republic of India.
<b>Investment Manager</b>	means <b>Elevate Capital Management Services Private Limited</b> , appointed as the investment manager of the Trust and the Fund (including other Schemes, if any) in accordance with the Investment Management Agreement.
<b>Initial Settlement</b>	means the sum of Rs. 10,000(Indian Rupees Ten Thousand ) being the initial amount irrevocably transferred or delivered by the Settlor to the Trustee towards the creation of the corpus of the Trust.
<b>Institutional Investor</b>	means any company, bank, pension or other fund, financial institution or other institutional body or entity, but not including an individual.
<b>IPO</b>	means an initial public offering.
<b>Investment Management Agreement</b>	means the investment management agreement entered into by and between the Trustee and the Investment Manager for advising, managing and administering the Trust and the Schemes of the Trust, and as may be amended, modified or superseded from time to time.
<b>Key Persons</b>	has the meaning as assigned to such term in paragraph 32 titled “ <i>Key Person</i> ”

	& <i>Key Person Event</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Key Persons Event</b>	has the meaning as assigned to such term in paragraph 32 titled “ <i>Key Person &amp; Key Person Event</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Key Person Event Cure Period</b>	has the meaning as assigned to such term in paragraph 32 titled “ <i>Key Person &amp; Key Person Event</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Lead Investor</b>	means such Contributor/s, designated as such by the Investment Manager, who shall make a Capital Commitment of INR equivalent of at least USD 10,000,000 (United States Dollar Ten Million).
<b>Losses</b>	has the meaning as assigned to such term in paragraph 14 titled “ <i>Indemnification</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Management Fee</b>	means the management fee payable to the Investment Manager in connection with the Fund.
<b>Management Fees Additional Contribution</b>	has the meaning assigned to such term in paragraph 11 titled “ <i>Unitholders Participating in Subsequent Closing</i> ” in “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Malfeasance</b>	means, with respect to any Person, any act or omission which results in a criminal conviction of such Person or which constitutes fraud or wilful misconduct as decided by a final non-appealable order of the highest court of competent jurisdiction.
<b>Memorandum</b>	means this document and any supplements thereto inviting offers for Capital Commitments from prospective Contributors for the subscription and purchase of Units of the Fund strictly on a private placement basis in accordance with the Regulations and containing the requisite details as required under the Regulations.
<b>Operating Expenses</b>	has the meaning assigned to such term in paragraph 21 titled “ <i>Expenses (Including Operating Expenses and Set-up Expense) Charged to the Fund</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>p.a.</b>	means per annum.
<b>Person</b>	means and includes an individual, banks, insurance companies, bodies corporate, estates, family offices, non-banking finance companies, societies,

	hindu undivided family, corporation, partnership (whether limited or unlimited), limited liability company, body of individuals, association of person, artificial juridical person, trust, sole proprietorship, Alternative Investment Fund, foreign portfolio investor, Institutional Investor or any other institution, entity or organization, whether Indian or foreign, whether incorporated or not, including a Government or an agency or instrumentality thereof and, where the context so requires, includes a reference to such Person's executors, administrators, successors, substitutes (including persons taking by novation) and permitted assigns.
<b>Portfolio Company / Portfolio Entity</b>	means such company, special purpose vehicle, limited liability partnership, venture capital undertakings, body corporate or real estate investment trust or infrastructure investment trust or other permissible entity/enterprise in which the monies of the Contribution Fund are invested in accordance with the Applicable Laws.
<b>Preferred Return Deficiency</b>	has the meaning as assigned to such term in paragraph 30 titled " <i>Clawback Of Additional Return</i> " under " <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> " of this Memorandum.
<b>Regulations</b>	means the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 as amended/modified and reinstated from time to time and including the circulars/notifications issued pursuant thereto.
<b>Reinvestment Amount</b>	has the meaning as assigned to such term in paragraph 28 titled " <b>Reinvestment</b> " under " <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> " of this Memorandum.
<b>RBI</b>	means the Reserve Bank of India.
<b>Scheme/s</b>	means such scheme/s of the Trust floated by the Trustee, including the Fund.
<b>SEBI</b>	means the Securities and Exchange Board of India.
<b>Settlor</b>	means Mr. Mehul Sohanraj Mehta, who has settled the Trust.
<b>Set-up Expense</b>	has the meaning assigned to such term in paragraph 21 titled " <i>Expenses (Including Operating Expenses and Set-up Expense) Charged to the Fund</i> " under " <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> " of this Memorandum.
<b>Sponsor(s)</b>	means <b>Mr. Atul Jain and Venture Catalysts Private Limited.</b>
<b>Statement of Account</b>	means statements that may be issued by the Investment Manager to the Contributors, specifying the number of Units held by the Contributors and

	evidencing a Beneficial Interest in the Fund.
<b>Subclass</b>	with respect to a Class of the Fund means a subclass/series thereof, as distinct from another subclass/series (if any) of that Class or any other Class of the Fund.
<b>Subsequent Closing</b>	in respect of the Fund means any Closing subsequent to the First Closing but not later than the Final Closing.
<b>Super-Majority of Contributors</b>	has the meaning assigned to such term in paragraph 1 titled “ <i>Super-Majority of Contributors</i> ” under supplementary section of “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Takeover Code</b>	means the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as amended and/or restated from time to time.
<b>Tax or Taxes</b>	means and includes: <ul style="list-style-type: none"> <li>a) all forms of tax, levy, duty, fee, surcharge, cess, impost, withholding tax, equalisation levy, tax collected at source including income tax, goods &amp; services tax, tax payable in a representative assessee capacity, minimum alternate tax or other amount whenever or wherever created or imposed by, or payable to any tax authority whether due to past, present or potential obligations; and</li> <li>b) all charges, interest, penalties and fines incidental or relating to any Tax falling within (a) above or which arise as a result of the failure to pay any Tax on the due date or to comply with any obligation relating to Tax.</li> </ul>
<b>Term</b>	has the meaning as assigned to such term in paragraph 7 titled “ <i>Term of the Fund and Termination</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Temporary Investments</b>	means investments by the Fund in liquid mutual funds, bank deposits, treasury bills, triparty repo dealing and settlement, commercial papers, certificate of deposits and such other liquid assets of higher quality as prescribed under the Regulations and/or by SEBI.
<b>Trust</b>	means “ <b>Elev8-Capital AIF</b> ”, organised as an irrevocable, contributory determinate trust, settled in India by the Settlor (with Initial Settlement being irrevocable) under the provisions of the Indian Trusts Act, 1882, pursuant to the Indenture.
<b>Trust/ Fund Documents</b>	has the meaning assigned to such term in paragraph 40 titled “ <i>Trust/Fund Documents</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.

<b>Trust Fund</b>	means the Initial Settlement, the Contribution Fund and any accretions thereto.
<b>Trustee</b>	means “ <b>Beacon Trusteeship Limited</b> ”, or such other Person that may be appointed under the terms of the Indenture.
<b>Trusteeship Fees</b>	has the meaning assigned to such term in paragraph 18 under the heading “ <i>Trusteeship Fees</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Two-Third Majority of Contributors</b>	has the meaning assigned to such term in paragraph 2 titled “ <i>Two-Third Majority of Contributors</i> ” under supplementary section of “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Units</b>	means a unit of any Class (including partly or fully paid-up units), as evidenced by the Statement of Account specifying the unit(s) allotted to or held by the Contributor, and evidencing Beneficial Interest in the Fund, issued to a Contributor on the making of a Capital Contribution or Capital Commitment, as the case may be, and includes a fraction of a unit of a value less than the face value of the respective class of units.
<b>USD</b>	means currency of the United States of America.
<b>Warehoused Investments</b>	has the meaning assigned to such term in paragraph 9 titled “ <i>Warehoused Investments</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.
<b>Warehousing Entity/Individual</b>	has the meaning assigned to such term in paragraph 9 titled “ <i>Warehoused Investments</i> ” under “ <b>SECTION VII: PRINCIPAL TERMS OF THE FUND</b> ” of this Memorandum.

## PART - B

### SECTION XVI: SUPPLEMENTARY INFORMATION

There is no additional information in relation to the Fund, Investment Manager, Sponsor/s, key investment team that does not form part of the above sections.

### SECTION XVII: INVESTOR CHARTER AND COMPLAINTS DATA

## Annexure X

### Investor charter for the AIF

#### A. Vision and Mission Statement:

##### Vision

To develop the Alternative Investment Fund (“AIF”) industry on professional and ethical lines and maintain high standards of governance and transparency.

##### Mission

- Maintain high professional and ethical standards within the AIF industry.
- Comply with all applicable regulations and co-operate with the regulators in all aspects of the AIF activity.
- Act in a fiduciary capacity towards the Investors.

#### B. Details of business transacted by the organization with respect to the investors:

- To raise capital from domestic and global investors.
- To invest in portfolio companies in accordance with investment strategy stated in fund documents, with an objective to generate positive returns for the stakeholders including investors.
- To distribute returns to the investors as per the fund documents.

#### C. Details of services provided to investors:

1. On-boarding of investors.
  - 1.1. Sharing of the Private Placement Memorandum (“PPM”).
  - 1.2. Account opening with the AIF:
    - Completing KYC of Investors and registration of KYC with KRAs.
    - Sharing of copies of fund documents with investors.
    - Entering into contribution agreement with investor.
2. Obtaining investor consent for material changes to fund structure
  - 2.1. Change in the sponsor or the investment manager of the AIF.
  - 2.2. Change in control of the sponsor or the investment manager of the AIF.
  - 2.3. Material changes to terms of PPM
    - Term of fund.
    - Investment strategy.
    - Increase in fees and charges.
  - 2.4. Winding up of fund prior to expiry of tenure.
3. Dissemination of financial information of fund.
  - 3.1. net asset value of fund.
  - 3.2. Financial information of investee companies.
  - 3.3. Information on performance of fund.
4. Disclosures with respect to material risks associated with the fund and its portfolio

investments.

- 4.1. Any inquiries/ legal actions by legal or regulatory bodies in any jurisdiction.
  - 4.2. Any material liability arising during the tenure of the fund.
  - 4.3. Any breach of a provision of the PPM or any other agreement made with the investor or any other fund documents.
  - 4.4. Intimation regarding any conflict of interest.
  - 4.5. Risks associated with the portfolio, such as concentration risk, foreign exchange risk, leverage risk, realization risk, strategy risk, reputation risk, extra-financial risks such as social and corporate governance risks etc. at fund and investee company level.
5. Intimation of any non-material changes in the operations of the fund.
- 5.1. Non-material changes such as
    - Bank account details
    - Address of the AIF or its investment manager or sponsor
    - Contact details such as email-id, contact number, etc. of the AIF or its investment manager or sponsor
6. Grievance redressal
- 6.1. Redressal of Investor complaints received directly from investors and/or from SEBI / SCORES.

**D. Timelines of the activity/services provided to investors:**

Sr. No.	Description of activity/services provided by AIFs to its Investors	Timeline for completion of activity
<b>1.</b>	<b>Valuation related disclosures:</b>	
a.	Valuation of investment by Category II AIF	At least once every six months. Can be extended to once a year with approval of 75% of its investors by value of investment.
b.	Disclosure of NAV of scheme(s) of the Category III Alternative Investment Fund	Not applicable.
	Disclosure of financial information of investee companies	Category II AIF - within 180 days from the year end or earlier as per the fund documents.
<b>2.</b>	<b>Transparency related disclosures:</b>	
a.	Disclosure of financial information of investee companies	Category II AIF - within 180 days from the year end or earlier as per the fund documents.
b.	Disclosure of material risks:  concentration risk, foreign exchange risk at Fund level and leverage risk, realization risk, strategy risk, reputation risk at investee company level, extra- financial risks such as social and corporate governance risks etc. at fund and investee company level	
c.	Financial, risk management, operational, portfolio, and transactional information regarding fund investments	To be disclosed periodically to the investors
d.	Any fees ascribed to the investment manager or sponsor; and	

	any fees charged to the AIF or any investee company	
e.	Any inquiries/ legal actions by legal or regulatory bodies in any jurisdiction	As and when occurred
f.	Any material liability arising during the AIF's tenure	
g.	Any breach of a provision of the PPM or agreement made with the investor or any other fund documents	
h.	Intimation regarding conflict of interest in any transaction	As and when they arise or seem likely to arise
i.	Any change in terms of the PPM / fund documents	On consolidated basis within one month of end of each financial year
<b>3.</b>	<b>Complaint handling related services:</b>	
a.	Response to complaint received from investors	Within 30 days from the date of receipt of complaint
b.	Redressal of Investor complaint received from SEBI/ SCORES	Within 30 days from the date of receipt of complaint

**E. Details of grievance redressal mechanism and how to access it.**

1. AIFs are required to redress all investor complaints in timely manner.
2. An AIF, by itself or through the investment manager or sponsor, are required to lay down procedure for resolution of disputes between the investors and AIF or investment manager or sponsor through arbitration or any such mechanism as mutually decided between the investors and the AIF.
3. Investors can also approach SEBI for redressal of their complaints through SEBI SCORES platform. On receipt of complaints, SEBI takes up the matter with the concerned AIF.
4. Investors may send their complaints to: Office of Investor Assistance and Education, Securities and Exchange Board of India, SEBI Bhavan. Plot No. C4-A, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

**F. Responsibilities of investors**

1. Responsibility to inform and educate yourself
  - 1.1. Read thoroughly all fund documents including PPM, Contribution Agreement, sales literature, newsletters and understand the product.
  - 1.2. Carefully consider all investment risks, fees, and/or other factors detailed in these documents.
  - 1.3. Ensure and make certain that the proposed investment in the fund meets your investment objective and is in alignment with your risk appetite.
  - 1.4. Review your portfolio holdings, account statements and transaction confirmation on regular basis to ensure that you are aware of all transactions and securities where you are invested.
2. Responsibility to timely update your KYC and information with the intermediary
  - 2.1. Provide complete and accurate information in your KYC documents, including financial/ income status.
  - 2.2. Timely updation of KYC information.



3. Responsibility to abide by the contribution agreement.
  - 3.1. The investor needs to read carefully and understand the agreement that he/she is entering into with the AIF and abide by the terms thereof.
  - 3.2. The investor should be aware that investment terms are not guarantee of future performance or returns of the fund/ scheme.
4. Responsibility to use right financial intermediaries, consultants and advisors.
  - 4.1. Carefully consider validity and reliability of investment information obtained from all sources, especially unsolicited information obtained over the Internet.
5. Responsibility to maintain confidentiality of information.
  - 5.1. Investors shall not disclose any material non-public information that is received by virtue of being investors of the fund, except as may be guided by the terms of the fund documents.

#### Annexure- Y

##### Complaints data to be displayed by AIFs for each scheme

##### 1. Investor complaints data for the quarter ending (March/June/September/December)

S. No.	Investor Complaints received from	Pending as at the end of the last quarter	Received	Resolved	Total Pending at the end of the quarter	Pending complaints > 3 months	Average Resolution time ^ (in days)
1.	Directly from Investors	nil	nil	nil	nil	nil	nil
2.	SEBI (SCORES)	nil	nil	nil	nil	nil	nil
3.	Other Sources (if any)	nil	nil	nil	nil	nil	nil
	<b>Total</b>	nil	nil	nil	nil	nil	nil

^Average resolution time is the sum total of time taken to resolve each complaint in days in the current quarter divided by total number of complaints resolved in the current quarter.

##### 2. Investor complaints data for last three Financial Years (FY)

S. No.	FY	Carried forward from previous FY	Received	Resolved	Pending at the end of FY
1.	2019-20	nil	nil	nil	nil
2.	2020-21	nil	nil	nil	nil
3.	2021-22	nil	nil	nil	nil

	<b>Total</b>	nil	nil	nil	nil
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### ANNEXURE A: Reporting Timelines

The following information/reports shall be furnished to the Contributors as mentioned in the below table:

<b>Sr. No.</b>	<b>Reporting/providing information to the Contributors</b>	<b>Timeline</b>
1.	An annual report comprising financial information of the Portfolio Entities, material risks and how they are managed and other material information on the Fund that is deemed to be relevant by the Investment Manager.	Within 180 (one hundred and eighty) days from the close of the financial year.
2.	Any fees charged by the Investment Manager, Sponsor/s or any fees charged to the Trust/Portfolio Entity by an Associate of the Investment Manager, Sponsor/s.	Every 6 (six) months on a consolidated basis.
3.	Any breach of a provision of this Memorandum, Contribution Agreements or any Fund Documents.	As and when occurred.
4.	Any change in control of the Investment Manager, Sponsor/s, any change in the Investment Manager, Sponsor/s.	Prior approval shall be taken from the Contributors in accordance with the Regulations.
	Any significant change in the key investment team.	Within 1 (one) month from the end of each financial year on a consolidated basis.
	Information with respect to any inquiries/legal actions by legal or regulatory bodies in any jurisdiction.	As and when occurred.
5.	Any change to this Memorandum with details indicating the changes made.	Within 1 (one) month from the end of each financial year on a consolidated basis.
6.	Statement of Accounts in accordance with the	On an annual basis.

	Fund Documents.	
7.	Any change/s in disciplinary history	As and when occurred.