Private Placement Memorandum

IL&FS INFRASTRUCTURE DEBT FUND

A Close Ended Infrastructure Debt Scheme

IND AAAidf-mf #
(rated by India Ratings & Research)

(# for details please refer back cover page)

CARE AAA (MF-IDF)##
(rated by Credit Analysis & Research Limited)

(## for details please refer back cover page)

Placement Period Opened on : June 18, 2013

Placement Period Close date has been informed by way of an addendum and hosted on www.ilfsinfrafund.com

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IL&FS Infrastructure Debt Fund – Series 1-A	A Close Ended Debt Scheme - Minimum tenure of 5 years
IL&FS Infrastructure Debt Fund – Series 1-B	A Close Ended Debt Scheme - Minimum tenure of 7 years
IL&FS Infrastructure Debt Fund – Series 1-C	A Close Ended Debt Scheme - Minimum tenure of 10 years

Private placement of Units of ₹ 10 lakh each during the Placement period

Name of Mutual Fund	:	IL&FS Mutual Fund (IDF)
Name of Asset Management Company	:	IL&FS Infra Asset Management Limited (IIAML or AMC)
Name of Trustee Company	:	IL&FS AMC Trustee Limited (IATL or Trustee)
Name of Sponsor	:	IL&FS Financial Services Limited (IFIN)
Address of the above Entities	:	The IL&FS Financial Centre, 7th Floor, Plot C-22, G Block, Bandra Kurla Complex, Bandra East, Mumbai-400051, India Tel. No : +91 22 2653 3333
Website	:	www.ilfsinfrafund.com
Name of Registrar and Transfer Agent (RTA)	:	Computer Age Management Services Pvt. Ltd (CAMS) 158, Rayala Towers,Tower I, 5th Floor, Anna Salai, Chennai 600 002 Tel. No : 044 - 3021 2812 / 3021 2824 Email Id : enq_pe@camsonline.com website : www.camsonline.com
Name of Custodian	:	HDFC Bank Ltd. HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai 400 013
Name of Fund Accountant	:	IL&FS Securities Services Limited IL&FS House, Plot No. 14, Raheja Vihar, Chandivali, Andheri (E), Mumbai - 400 072

The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (hereinafter referred to as SEBI (MF) Regulations) as amended till date. These units being privately placed have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Private Placement Memorandum (PPM). It is to be distinctly understood that this PPM should not, in anyway, be deemed or construed that the same has been cleared or vetted by SEBI. It may however be noted that the PPM along with the Due Diligence certificate from IIAML and IATL have been filed with SEBI

The PPM sets forth concisely the information about the Scheme that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this PPM after the date of this document from the Mutual Fund's website

As required, a copy of this PPM along with the Statement of Additional Information (SAI) has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has vide its letter no. NSE/LIST/205329-F dated May 28, 2013 granted permission to the Mutual Fund to use the Exchange's name in this PPM as the Stock Exchange on which the Mutual Fund's units are proposed to be listed subject to, the Mutual Fund fulfilling the various criteria laid down for listing. The Exchange has scrutinized this PPM for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Mutual Fund. It is to be distinctly understood that the aforesaid permission given by the NSE should not in any way be deemed or construed that the PPM has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this PPM; nor does it warrant that the Mutual Fund's units will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Mutual Fund, its sponsors, its management or any scheme of the Mutual Fund

The investors are advised to refer to the SAI for details of IL&FS Mutual Fund (IDF), Tax and Legal issues and general information on www.ilfsinfrafund.com. The PPM should be read in conjunction with the SAI and not in isolation

This Private Placement Memorandum is dated June 12, 2013 and is updated on August 2, 2013 and February 2, 2017

BACKGROUND OF INFRASTRUCTURE DEBT FUND

Indian infrastructure investment requirements are humungous with the 12th Five Year Plan envisaging an aggregate investment of USD 1 trillion in the sector. More importantly, ~50% of this investment is expected from the private sector under various structures. Assuming a debt equity ratio of 2:1 this would mean debt funding requirement of USD 335 billion, which is large compared to existing infrastructure debt of about USD 115 billion parked mainly with domestic banks

Infrastructure projects are characterized by long term concessions, significant upfront capital expenditures, initial gestation period followed by a largely predictable revenue stream and cash flows. Long term financing is therefore imperative for ensuring viability

As mentioned above, debt financing of infrastructure projects has, however, been confined to banks, which in turn face challenges in providing longer dated debt on account of asset liability mismatch. Shorter tenors of bank funding also exerts cash flow pressures in the initial stabilization years, thereby impinging the overall viability. Insurance and pension funds though having access to longer term funds have not participated in funding Greenfield infrastructure projects on account of risk perceptions. The bond market in India has also not matured sufficiently for addressing the needs of such projects. These factors increase the cost of debt for infrastructure projects

Various policy initiatives have been taken by Govt. of India to provide impetus for infrastructure development during the last decade including implementation of Public Private Partnership models in several Infrastructure sub-sectors, Viability Gap Funding, liberalisation of Foreign Direct Investment (FDI), and tax holiday for Infrastructure Companies/Incentives on Infrastructure Bonds etc. Given the enormous investment requirements in the infrastructure sector, newer avenues are needed for financing our infrastructure needs. In that regard, Govt. of India has issued guidelines for setting up of Infrastructure Debt Funds (IDFs) in order to attract new investor classes like domestic and international pension, provident and insurance funds into infrastructure finance. IDFs are expected to:

(a) provide long term resources for ab-initio funding of infrastructure projects. This would also aid in bridging the emerging gap in the debt availability/requirement for funding infrastructure projects which cannot be fully met by commercial banks

(b) provide re-financing to banks for projects which are past construction stage and associated risk. This would release lending space available with banks for provision of loans to newer projects

(c) assist in creating a secondary market for debt

(d) provide long-term Foreign Investors an alternative investment instrument and access to higher yielding Indian paper (Bonds/Units) with a lower tax incidence

(e) pave way for newer players i.e pension, insurance, asset managers, sovereign wealth funds and all other investors looking at long term debt investment into India

INFORMATION ABOUT THE SPONSOR

IL&FS Financial Services Limited (IFIN), a 100% subsidiary of IL&FS Limited, had set up IL&FS Mutual Fund (IDF) to launch the Scheme(s) viz. IL&FS Infrastructure Debt Fund –Series 1-A, 1-B and 1-C, which was listed on a stock exchange. IFIN transferred its shareholding in IL&FS Infra Asset Management Limited and IL&FS AMC Trustee Limited to IL&FS Investment Managers Limited (IIML). Established in 1989, IL&FS Investment Managers Limited (IIML) has been an early and in many instances, the first investor across various sectors such as Telecom, City Gas Distribution, Shipyards, Retail, and Media. IIML is one of India's largest private equity fund management companies with assets under management over US$ 3.5 billion on behalf of leading Indian and International Institutions

IIML has been an active investor in the Indian market with aggregate investment experience spanning nearly two decades and across industry sectors. IIML's experience covers the entire Private Equity life cycle – right from raising funds, investing, monitoring and planning exits

IIML has a diversified portfolio with a vast experience in managing funds across all the sectors and business cycles. However, broadly IIML's focus can be categorised into a) Infrastructure b) Real Estate and c) Growth Private Equity i.e. manufacturing, technology, retail, media, agriculture & consumer services etc

IIML recognised that Indian infrastructure requirements are humungous and thus over the last decade, IIML has managed 3 infrastructure focused funds and presently manages investments in the sector through the SCI Asia Infrastructure Fund, a joint venture fund in partnership with Standard Chartered Bank. In all, IIML has undertaken 31 infrastructure investments aggregating over 26 billion and is presently invested across transportation, maritime, power, city gas distribution, agri-warehousing, container logistics and waste management sectors

Infrastructure Leasing & Financial Services Limited (IL&FS) is one of India's leading infrastructure development and finance conglomerates. IL&FS was established in 1987 by Banks and Financial Institutions with a distinct mandate - catalyzing the development of infrastructure in the country. Over the last 25 years, IL&FS has successfully built on this mandate by focusing on the commercialization and development of infrastructure projects and creation of value-added financial services

The IL&FS Group has pioneered the concept of private participation in infrastructure development across various sub-sectors and has thus evolved into a dominant, integrated developer and owner of infrastructure assets. IL&FS's primary strength is towards developing and executing projects in the areas of project development, project monitoring, construction and operations. From concept to commissioning, IL&FS houses the expertise to provide a complete array of services. IL&FS presently has a pipeline of near maturity and development assets

IL&FS Group also houses various elements which form part of the infrastructure funding environment

- IL&FS Financial Service Limited (IFIN) is one of India's leading Non- Banking Finance Company providing a wide range of financial and advisory solutions under one umbrella. IFIN is a 100% subsidiary of Infrastructure Leasing and Financial Services Limited (IL&FS). IFIN specializes in infrastructure financing transactions, with a combination of Investment Banking skill sets comprising of Debt Syndication, Corporate advisory and lending capabilities. IFIN has also established its international presence through its wholly owned subsidiaries IL&FS Global Financial Services Pvt Ltd. at Singapore, IL&FS Global Financial Services (UK) Ltd at London and IL&FS Global Financial Services (ME) Limited at Dubai and IL&FS Global Financial Services HK Ltd - Hong Kong
- IL&FS Investment Managers Limited (IIML) is one of India's largest private equity fund management companies with assets under management over US$ 3.5 billion on behalf of leading Indian and International Institutions. Established in 1989, IL&FS Investment Managers Limited (IIML) has been an early and in many instances, the first investor across various sectors such as Telecom, City Gas Distribution, Shipyards, Retail, and Media. In all, IIML has undertaken 31 infrastructure investments aggregating over ₹ 26 billion and is presently invested across transportation, maritime, power, city gas distribution, agri-warehousing, container logistics and waste management sectors

The IL&FS Group has developed strong relationships with commercial banks, financial institutions, international investors and also infrastructure developers. It is therefore well positioned to deploy and manage resources required to fund India's infrastructure growth opportunities in traditional infrastructure sub-sectors such as roads, power and maritime as well as emerging sectors such as urban infrastructure, waste management, logistics and education

This significant first-hand experience in infrastructure development and financing has been leveraged by IL&FS Infra Asset Management to launch the Scheme(s) under the IL&FS Mutual Fund (IDF)

The Scheme(s) under the Mutual Fund seeks to generate income and capital appreciation by investing primarily in a portfolio of infrastructure debt instruments in a manner which aims to provide attractive yields on a long term and sustainable basis to its investors

The deep domain knowledge and experience in infrastructure, positions the IL&FS Group well to launch the Mutual Fund so as to capitalize on the potential opportunities emerging in the infrastructure sector in India

HIGHLIGHTS/SUMMARY OF THE SCHEME

Key highlights or summary of the Scheme are as follows:

Name of the Scheme(s)	IL&FS Infrastructure Debt Fund - Series 1-A, 1-B and 1-C (IIDF-Series 1-A, 1-B and 1-C)
Type of Scheme	A close ended Infrastructure debt Scheme with specified minimum tenure of 5 years for IIDF-Series 1-A, 7 years for IIDF-Series 1-B and 10 years for IIDF-Series 1-C
Investment Objective	To generate income and capital appreciation by investing primarily in infrastructure debt instruments as permitted by SEBI from time to time There is no assurance or guarantee that the objective of the Scheme will be realised

Maturity Date of the Scheme	The maturity date of the Scheme (IIDF-Series 1-A, 1-B and 1-C) will be at the end of a minimum five, seven and ten year periods respectively from the date of allotment of fully paid up units as may be specified in the Scheme at the time of launch or by way of an addendum which will be hosted on the website of the AMC. The tenure of the Scheme may be extended to two years in accordance with SEBI (MF) Regulations due to which the maturity date of the Scheme may also be extended. In case the maturity date or payout date happens to be a non-business day then the immediate next business day shall be considered as the maturity date
Transparency & NAV disclosure	The net asset value ("NAV") of the Scheme shall be calculated and declared at least once in each quarter. NAV will be hosted on www.ilfsinfrafund.com and www.amfiindia.com
Plans under the Scheme	**Direct Plan:** Investors investing directly in the Scheme and not through any Distributor can invest by choosing the 'Direct' Plan. The Direct Plan of the Scheme shall have a lower expense ratio excluding distribution expenses, commission, etc. since such expenses shall not be paid under this Plan **Regular Plan:** Investors investing through a Distributor can invest by choosing the 'Regular' Plan
Options under the Scheme	**Growth Option:** The income earned in the Scheme shall remain invested in the growth option. No dividend shall be declared in this option **Dividend Payout Option:** In this option, AMC may declare dividends at its discretion at a suitable rate subject to availability of distributable surplus with the prior approval of the Trustees
Dividend Policy	Dividend declaration under the dividend option of the Scheme is subject to the availability of distributable surplus and at the discretion of the AMC, subject to approval of the Trustees
Minimum Application Amount	Minimum of ₹ 1,00,00,000/- (Rupees One crore) and in multiples of ₹10,00,000/- (Rupees Ten lacs) thereafter
Firm Commitment from the Strategic Investors	Each of the Series of the Scheme will have the firm commitment from the strategic investor/s for an amount of at least ₹ 25,00,00,000/- (Rupees Twenty Five Crore) before the allotment of units of the Scheme
Minimum Target Amount	₹50,00,00,000/- (Rupees Fifty crore)
Maximum Amount to be raised	No upper limit
Partly Paid Units	The AMC has the discretion to issue partly paid units for subscriptions received during the private placement period and shall call for the unpaid portions subsequently depending upon the deployment opportunities
Repatriation Facility	NRIs, FIIs and PIOs may invest in the Scheme on repatriation basis subject to rules laid down by RBI/SEBI/Income Tax/other related authorities from time to time
Sponsor	IL&FS Investment Managers Limited
Benchmark Index	CRISIL Composite Bond Fund Index or such other Index as IIAML deems fit taking into consideration the portfolio of the investments Any change at a later date in the benchmark index shall be recorded and reasonably justified
Load	Nil
Liquidity	Being a close ended Scheme, investors can subscribe to the units of the Scheme during the Private Placement Period only Investors will not be able to redeem their units during the tenure of the Scheme and there will be redemption by the fund on the maturity of the Scheme. However the units held in dematerialized form can be traded on the stock exchange. In case the investor intends to exit, he may do so through the stock exchange. The units will be listed and available for trading through the stock exchange within 5 business days of allotment of fully paid units The provision of closure of books will be applicable as per settlement cycle of stock exchange in order to determine the unit holders whose names appear in the records of the Registrar/Depository for the redemption purpose. Hence, investor will not be able to trade on the stock exchange during the book closure period of the scheme at the time of maturity The Scheme is listed on NSE and/or may be listed on any other recognised Stock Exchange

I INTRODUCTION

A. RISK FACTORS

Standard Risk Factors

- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal
- As the price/value/interest rate of the securities in which the Scheme invests fluctuates, the value of your investment in the Scheme may go up or down depending on the factors and forces affecting the capital markets specifically for infrastructure sector. The various factors which impact the value of the Scheme's investments include, but are not limited to, risks associated with investments in infrastructure sector such as prevailing political and economic environment, changes in government policy, progress of the infrastructure projects, factors specific to the issuer of the securities, tax laws, liquidity of the underlying instruments, etc
- Past performance of the Sponsor and other affiliates/AMC/Mutual Fund does not guarantee future performance of the Scheme and may not necessarily provide a basis of comparison with other investments
- IL&FS Infrastructure Debt Fund – Series 1-A, Series 1-B and Series 1-C are the names of the Scheme/s and do not in any manner indicate either the quality of the Scheme or its future prospects and returns
- The Sponsor is not responsible or liable for any loss resulting from the operation of the Scheme beyond the initial contribution of ₹ 500,000/- (Rupees Five Lakh only) made by it towards setting up the mutual fund
- The present Scheme(s)/Series is/are the first Scheme(s)/Series launched under the management of the AMC and are not a guaranteed or assured return Scheme(s)

Scheme Specific Risk Factors

- **Risk Associated with Infrastructure Sector and Projects**

  The Scheme has identified following risks in infrastructure sector investments and has accordingly designed risk management strategies to manage such risks

  (a) **Political Risk:** refers to the risk associated with the change in government policies having adverse impact on the revenue stream of the Infrastructure Projects

  Political risks/factors that must be taken into account include but are not limited to:

  (i) Stability of the government (central, state as well as local government)

  (ii) Political willingness demonstrated by the government at various levels towards infrastructure and its commercialization

  (iii) Extent of control exerted by the government or its involvement in regulating a particular sector and dependence of the project profitability on the regulations

  Political risk also emanates from events/developments that cannot be reasonably predicated such as expropriation/confiscation of the project assets, risks of civil disturbances, riots, etc. Investors must also consider the likelihood and impact of any political change on the project/its sponsors/strategic investors while making the investments

  (b) **Taxation Risk:** refers to the risk associated with significant change in tax regime resulting in increased burden of taxation on the projects

  Project are exposed to various taxes such as taxes on current and expected income, assets or property, operational, stamp, mortgage, withholding and other revenue and financing-related taxes. Tax policies have a direct impact on the cash pool available for debt servicing and are a critical factor while structuring the financing for projects

  (c) **Construction Risk:** refers to unexpected developments during the construction period that lead to time and cost overruns or shortfalls in performance parameters of the completed project. Infrastructure projects are especially vulnerable to the Construction Risk owing to high capital requirement, long construction period and in many cases, a limited concession period. An assessment of the contractual framework for implementation and track records of the Sponsors is essential while investing in infrastructure

  (d) **Operating Risk:** refers to the risk associated with the operating environment in which the Infrastructure projects operate and any changes in the operating environment having adverse impact on the viability of the projects

  Cash pool available for debt servicing can shrink if a project performs at below the levels projected while structuring the investments. While for infrastructure projects, operating risks are usually lower than other industries, it could still be a risk for projects where the underlying technology is changing rapidly such as telecommunication projects or where the project performance in dependant on certain key raw materials such as power projects

  (e) **Market Risk:** refers to the risk related change in market conditions assumed while structuring the financing for the project. Non-fulfilment of demand projections or more than anticipated competition are few examples of Market Risk. Different infrastructure projects have varying degree of market risk as few projects may have monopolistic or oligopolistic markets or committed offtake arrangements. Owing to the high capital intensity, magnitude of impact of adverse movements in market factors can be large for infrastructure projects

(f) **Interest Rate Risk:** refers to the risk that arises because of interest rate changes during the life of the project. For infrastructure projects, interest costs represent a large part of the total costs over a considerable time in project's life cycle. Further, the risk is intensified as infrastructure projects often have firm long term contracts for revenues or off take (such as road annuity projects or fixed tariff PPAs for power projects) as a result of which increase in interest cannot be passed on to the customers

(g) **Payment Risk:** refers to the risk of not receiving timely payment for the services provided by the infrastructure project. While it is not a significant risk in some infrastructure segments such as telecommunication, toll roads, or ports as these projects collect payments on a per user basis right after/before the services are provided, this risk is critical for projects dependant on sole/few customer(s) tied with long term offtake contracts such as power projects/ annuity projects

(h) **Regulatory Risk:** refers to the risk emanating from regulatory policies/requirements leading to delays, cost overrun etc

Owing to the nature of assets constructed/controlled by infrastructure projects, infrastructure projects are bound by various regulations and are subjected to various approvals and clearances. Such approvals are required to be obtained at various stages in the project's life cycle. Delays in obtaining approvals or complying with regulations may lead to time and cost overruns or increase in operating costs or may impact operating performance of the project. Regulations may change during the life of the project, requiring mid-course change in projects and additional costs. Environment related approval/compliances are examples of such risk

- **Risk Associated with Infrastructure Debt Instruments (Bonds, Debentures, etc.)**

(a) **Credit Risk:** refers to the risk that an issuer of a fixed income security may default (i.e will be unable to make timely principal and interest payments on the security)

(b) **Market Risk:** refers to the risk of downward valuation of the Investment on account of movement in Interest rates

(c) **Liquidity Risk:** refers to the risk associated with low volume in secondary market of the Investment held by the Fund

(d) **Re-Investment Risk:** refers to the risk that any returns generated on underlying assets (such as periodic interest payments/scheduled repayment) may be deployed at a yield lower than the yield on existing assets

- **Risk Associated with Securitized Debt Instruments:**
The risks associated with the investments in Securitized Debt Instruments are largely in line with the risk associated with the other Debt Instruments. However, given the peculiar nature of Securitized Debt Instruments, following risk factors are additionally observed for Securitized Debt Instruments:

(a) **Limited Recourse and Credit Risk:** Securitized Debt Securities are pass through instruments issued against cash flows from underlying loans. If a Scheme has invested in a securitized debt instrument, defaults on the underlying loan can adversely affect the pay outs to the Scheme and thereby, adversely affect the NAV of the Plan(s)/Option(s) under the Scheme. Although, Scheme would have an option to liquidate the underlying assets in case of default, such liquidation would not necessarily result in recovery of entire investment or may be achieved with considerable delay

(b) **Bankruptcy Risk:** If the originator of securitized debt instruments is subjected to bankruptcy proceedings and the court in such proceedings concludes that the sale of the assets from originator to the trust (issuing the securitized debt instruments) was not a 'true sale', the Scheme could experience losses or delays in the payments due

(c) **Limited Liquidity and Price risk:** Presently, secondary market for securitized papers is not very liquid. There is no assurance that a deep secondary market will develop for such securities. This could limit the ability of the Scheme (who would be an investor into such papers) to sell them at a price that correctly reflects the underlying cash flow. Further, Market Risk applicable to the Debt Securities in general applies to the securitized instruments as well, which may result in reduction in value of securities owing to change in the interest rates

(d) **Risks due to possible prepayments:** Asset securitization is a process whereby the commercial loans are packaged and sold in the form of financial instruments. Full or partial prepayment (either voluntary or compulsory) of underlying loans may expose the scheme to changes in tenor and yield

(e) **Bankruptcy of the Investor's Agent:** Under a securitization contract, investor's agent has recourse to the underlying assets/cashflows. In case of bankruptcy proceedings against the investor's agent, if the court concludes that the recourse available to the Investor's Agent is in the personal capacity and not as an Agent, then an Investor could experience losses or delays in the payments due from the underlying assets

- **Risk associated with investments in Money market instruments and Bank Deposits**
Money market instruments are defined as short term fixed rate instruments for maturity less than one year. Risk factors are as follows:

(a) Credit risk:

(i) Credit risk is risk resulting from uncertainty in counterparty's ability or willingness to meet its contractual obligations. This risk pertains to the risk of default of payment of principal and interest

(ii) Government Securities/ Treasury bills have zero credit risk whereas CPs/CDs are rated according to the issuer's ability to meet the obligations and have relatively higher credit risk than Government Securities and Treasury Bills. Investment in Bank Fixed deposit has very low credit risk

(ii) Credit risk is low in higher rated money market instruments where most of the surplus money of the scheme will be invested

(b) Liquidity Risk

(i) Liquidity risk pertains to how quickly a security can be sold in the market without much price impact. If a particular security does not have a market at the time of sale, then the scheme may have to bear an impact depending on its exposure to that particular security

(ii) There is no liquidity risk in Repo and CBLO due to reversal transaction is also contracted at the time of initiating the transaction

(iii) Liquidity risk is low in higher rated money market instruments where most of the surplus of the scheme will be invested

(c) Interest Rate risk/ Market risk

(i) Interest rate risk/ Market risk is associated with movements in interest rate, which depend on various factors such as government borrowing, inflation, economic performance etc. The values of investments will appreciate/depreciate if the interest rates fall/rise. Since the tenure of such instruments is short, price risk in these securities is less

(ii) Repo and CBLO do not have any market risk impact because reversal transaction's price is also contracted at the time of initiating the transaction

(iii) Interest rate risk is very low in short term money market instruments where most of the surplus money of the scheme will be invested

- **Risk associated with investments in unrated securities and zero coupon instruments**

The AMC may, considering the overall level of risk of the portfolio, invest in unrated securities offering higher yields as well as zero coupon securities that offer attractive yields. This may increase the absolute level of risk of the portfolio

As zero coupon securities do not provide periodic interest payments to the holder of the security, these securities are more sensitive to changes in interest rates. Therefore, the Market Risk (risk related to reduction in value of securities in case of increase in interest rates) of zero coupon securities is higher. The AMC may choose to invest in zero coupon securities that offer attractive yields. This may increase the risk of the portfolio

It may be noted that unrated debt securities exclude instruments such as CBLO, Reverse Repo, short term deposit and such similar instruments to which rating is not applicable

- **Any other risk factors**
  - As the Schemes may invest and hold the securities till maturity, any default/delay by the investee Company in honouring the securities on redemption may lead to delay and/or erosion in the maturity value to the unit holders
  - The units of the Schemes are proposed to be listed on the Stock Exchange. Trading in the units of the Scheme may be halted due to market conditions or under the directions of Exchange Authorities or SEBI. There could also be trading halts caused by extraordinary market volatility. Further, there can be no assurance that the requirements of the exchange necessary to maintain the listing of the Schemes will continue to be met or will remain unchanged
  - Only fully paid up Units are admitted for trading on the Stock Exchange due to which secondary market liquidity will not be available to investors till such time units are fully paid up, which will be subject to availability of investment opportunities
  - There is a possibility of comparatively higher exposures to single issuers. Although these exposures would be within the regulatory limits prescribed by SEBI, they could pose additional risk to investors
  - Listing and trading of the units are undertaken on the Stock Exchanges within the rules, regulation and policy of the Stock Exchange and SEBI. Any change in trading rules, regulation and policy by the regulatory authority would have a bearing on the trading of the units of the Scheme and its prices
  - Though the Schemes are proposed to be listed on the stock exchange, there is no assurance that an active secondary market will develop. Hence, there would be times when trading in the units of the respective Schemes would be infrequent. The NAV of the Scheme will reflect the fair valuation of scheme's investments and any changes in market value of the portfolio investments would have a bearing on the Scheme's NAV. When the units are traded on the Stock Exchange, the units of the Schemes may trade at prices which can be different from the NAV due to various factors like demand and supply for the units of the Schemes, perceived trends in the market outlook, etc
  - Investors should note that the Scheme is a close ended income scheme. Investments made in this Scheme will be locked-in for the period of the Scheme

B. RISK MANAGEMENT AND MITIGATION

- **Risk Specific to the Infrastructure Sector**

The risks enumerated above for the Infrastructure Sector are not equally significant in all projects. The significance of particular risks will differ from project to project, depending upon sector characteristics. Toll Road projects may have high construction risk, low operating risk, and high market risk. Telecommunication projects may have low construction risk but high market risk. Power projects with suitable offtake and fuel sourcing contracts may have high construction risk, relatively low operational and market risks, and high payment risk. Each project has its own risk profile, and risk mitigation structures will vary depending on the specific requirements of each project

The AMC has a robust credit evaluation process to mitigate the above risks to a large extent. The Scheme also proposes to limit exposures predominantly to project/issuers of reasonable credit quality. Further, the AMC has necessary framework in place for risk mitigation at an enterprise level. Internal limits shall be defined and judiciously monitored. Risk indicators on various parameters shall be computed and monitored on a regular basis. There is a Risk Management Committee which enables a dedicated focus on risk factors and the relevant risk mitigants

Risk	Risk Factors	Risk Management Strategy
Political Risk	– Stability of the Government – Political commitment to infrastructure development and its commercialization – Policy Regime pertaining to sectors having impact on Infrastructure development process i.e. environment Laws etc – Expropriation, confiscation of project assets, risks of civil disturbance	– Study of historical track record, projected trends, economic expectations – Participation in government policy making through consultation process – Pro-active review of the Concession Agreements, Power Purchase Agreements etc to determine rights available to the government and implications thereof
Effect of Tax Policies	– Existing tax structure impacting the project – Significant increases in taxes, modification or termination of favourable tax treatment of the project entity, thereby diminishing available cash flows for repayment	– Evaluation of applicable taxes while structuring infrastructure financing – Tracking of court judgements related to tax matters and response of the revenue authorities – Building of suitable contingencies in pricing of investments – Provision for escalation clause in Investment agreement in case of major tax liability at fund's end
Operating Risk	– High capital intensity & relatively long construction period make project costs vulnerable to delays and cost overruns – Technology obsolescence making existing projects unviable – Shortfall in technical performance of the project during its operational phase	– Identification of factors leading to delays in the projects based on historical trends i.e. land acquisition etc – Analysis of technology being used for projects vis a vis market trends – Arrangement of transfer of risk to sub-contractor and profile of sub-contractor – Tie up with raw material suppliers i.e. fuel supply agreement and service providers i.e. telecom tower contracts etc.
Regulatory Risk	– Change in Tariff formulas – Extensive environmental and land clearances – Challenges post environment clearance such as public interest litigation or through direct activism by non-governmental organizations, which can lead to delays in construction or disruption in operation adding to the costs of operation	– Thorough review of the agreement with the Government authorities – Maintenance of balance between operational projects and greenfield projects given the high risk involved in such projects – Analysis of the level of engagement of the project developer with local community

- **Risk Specific to Investment in Debt/Money Market Instruments**

Risk	**Risk Description**	**Risk Management Strategy**
Market Risk	– Changes in interest rates may affect the Scheme's NAV as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise – Prices of long-term securities generally fluctuate more in response to interest rate – Downgrade of Country's rating, Sectoral rating would have impact on interest rate movement	– Investment in a basket of debt and money market securities with a view to hold them till the maturity – Interest reset clause linked to rating, put option may be used in case of wild movement in interest rate – Review of economic fundamentals and sectoral fundamentals to foresee the impact of such downgrade
Liquidity Risk	– Difficulty in liquidating investments	– As the Scheme is a close-ended Scheme, no market driven redemption pressures are expected. As a result, liquidity demand of the fund would not be significant – Tenor of the investment by the Scheme would not exceed the tenor of the Scheme – Commensurate liquidity shall be planned for proposed/scheduled dividend payments announced – Fund will have an option to secure standby Borrowing lines from Banks or keep investments in liquid securities upto the maximum permissible limit i.e. 20% of the Net Assets to manage the liquidity requirements – Further, to meet the liquidity needs of the investors, investors would have an option to tap liquidity through secondary market on the stock exchange when the fund units are listed. However the fund units cannot be listed till such time they are fully paid up
Credit Risk	– Viability of the Projects leading to cost overrun and default in debt servicing – Bankruptcy or Financial difficulties of the sponsors of the project	– Robust techno economic assessment to obtain comfort on the economic viability of the underlying project would be carried out. Various techniques such as financial projections and scenario analysis, SWOT analysis etc shall be used for the same – Review of financial strength of the sponsors of the project with detailed analysis of audited financials over the recent past, a trend analysis for 3 to 5 years depending on the availability, accounting policies, off-balance sheet exposures, notes, auditors' comments and disclosure standards will be made to assess the overall financial risk – Regular interaction with the sponsors of the project to understand the difficulties faced by the project and possible ways out – Stipulation of conservative debt equity ratio, debt servicing covenants in the facility agreement – Regular assessment and Credit Rating by Rating Agencies
Pre-Payment Risk	– Pre-payment without adequate notice by the issuers would result in deployment requirement at a relatively short notice or in an unfavourable interest rate regime – Since prepayments are feature of a falling interest rate regime, re-investment of such funds may not be matched by interest rate on original investment	– Stipulations of adequate notice period before pre-payment in facility agreement – High pre-payment penalty to offset the impact of low spread

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

(a) **Limited Recourse and Credit Risk:** Additional first loss cover in the form of adequate cash collaterals and other assets may be obtained

(b) **Bankruptcy Risk:** Securitization transaction would be structured to ensure that the sale would be construed as a 'True Sale' in court of law as it is also in the interest of the originator to demonstrate the transaction as a true sale to get the necessary revenue recognition and tax benefits. A true sale legal opinion will be secured in each case

(c) **Limited Liquidity and Price risk:** As securitized debt instruments are relatively illiquid owing to underdeveloped secondary market, they are generally Held to Maturity (HTM)

(d) **Risks due to possible prepayments:** While working out the model cash flows from the underlying assets, a provision in made for certain level of prepayments. Further, a stress case estimate is calculated and additional margins are built in to protect the investors from prepayments

(e) **Bankruptcy of the Investor's Agent:** A special attention to detail is provided while structuring the transaction and drafting the underlying documents so as to adequately establish that the assets/receivables held by Investor's Agent are held as an agent and in Trust for the Investors

(f) Further, additional internal as well as external assessment is carried out before investing in any securitization transaction

(g) **Assessment by a Rating Agency**

While providing a rating of an issuance, Rating Agencies usually analyse and assess the following risks and their mitigants:

(i) **Credit Risk:** Rating agencies assess the Credit risk by evaluating following risks:

– Asset risk
– Originator risk
– Portfolio risk
– Pool risks

Pool seasoning (seasoning represents the number of instalments paid by borrower till date: higher seasoning represents better quality), over dues at the time of selection and Loan to Value (LTV), geographical concentration are some of criteria used to assess Pool Risk and Portfolio Risk

(ii) **Counterparty risk:**

The rating agencies generally mitigate Counterparty Risk through the usage of stringent counterparty selection and replacement criteria to reduce the risk of failure. The risks assessed under this category include:

– Servicer risk
– Commingling risk (denoting the risk of mixing of assets held in fiduciary capacity with the private assets held in own capacity)
– Miscellaneous other counterparty risks

(iii) **Legal risks:** The rating agencies conduct a detailed study of the legal documents to ensure that the investors' interest is not compromised and relevant protection and safeguards are built into the transaction such as for ensuring 'True Sale' or for ensuring that agent's control over assets is clearly demarcated as holding in fiduciary capacity

(iv) **Market risks:** Market risks represent risks not directly related to the transaction, but other market related factors, stated below, which could have an impact on transaction performance, or the value of the investments

– Macro-economic risks
– Prepayment risks
– Interest rate risks

(h) **Assessment by the AMC**

(i) **Basic Evaluation parameters**

– Track Record of the Company, Management and Project(s)
– Sector viability
– Financial and Operational risks
– Willingness to Pay
– Ability to Pay

(ii) **Critical Evaluation Parameters**

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

– High default track record/ frequent alteration of redemption conditions/covenants
– High leverage ratios – both on a standalone basis as well on a consolidated level/group level

– Higher proportion of re-schedulement of underlying assets of the pool or loan
– Higher proportion of overdue assets of the pool or the underlying loan
– Poor reputation in market
– Insufficient track record of servicing of the pool or the loan

C. SPECIAL CONSIDERATIONS

(a) The Mutual Fund reserves the right to temporarily suspend repurchases under the Schemes at the time of maturity of the Scheme and/or may extend the Scheme in case of any of the following:

- Significant concerns pertaining to completion of infrastructure projects such as delays, operational issues during closure/corporate action etc
- a natural calamity/strikes/riots and bandhs
- in case of conditions leading to a breakdown of the normal functioning of securities markets
- periods of extreme volatility of markets, which in the opinion of AMC, prejudicial to the interest of the unit holders of the schemes or illiquidity
- under a SEBI or Government directive
- under a court decree/directive
- in the event of any force majeure or disaster that affect a normal functioning of AMC or the Registrar
- Political, economic or monetary events or any circumstances outside the control of the Trustee and the AMC

Suspension or restriction of repurchase/redemption facility under any scheme of the mutual fund shall be made applicable only after the approval from the Board of Directors of the AMC and the Trustee. The approval from the Board of Directors of the AMC and the Trustees giving details of circumstances and the justification for the proposed action shall also be informed to SEBI in advance

(b) Mutual Fund investments are subject to market risks and there is no assurance and guarantee that the objectives of the Scheme will be achieved. Investors are urged to study the terms of the PPM carefully before investing in this Scheme, and to retain this PPM for future reference. Any tax liability arising post redemption on account of change in the tax treatment with respect to dividend distribution tax and such other taxes, by the tax authorities, shall be solely borne by the investor and not by the AMC, the Trustees or the Mutual Fund

(c) Investors in the Scheme are not being offered any guaranteed returns

(d) Investors are advised to consult their Legal/Tax and other Professional Advisors in regard to tax/legal implications relating to their investments in the Scheme and before making decision to invest in the Scheme or redeem the Units in the Scheme

(e) The Mutual Fund may disclose details of the investor's account and transactions there under to those intermediaries whose stamp appears on the application form or who have been designated as such by the investor. In addition, the Mutual Fund may disclose such details to the bankers, as may be necessary for the purpose of effecting payments to the investor. The Fund may also disclose such details to regulatory and statutory authorities/bodies as may be required or necessary

(f) In terms of the Prevention of Money Laundering Act, 2002 ("PMLA") the rules issued there under and the guidelines/circulars issued by SEBI regarding the Anti Money Laundering (AML) Laws, all intermediaries, including mutual funds, are required to formulate and implement a client identification programme, and to verify and maintain the record of identity and address(es) of investors

If after due diligence, the AMC believes that any transaction is suspicious in nature as regards money laundering, the AMC shall have absolute discretion to report any such suspicious transaction to competent authorities under PMLA and rules/guidelines issued thereunder by SEBI and/or RBI, furnish any such information in connection therewith to such authorities and take any other actions as may be required for the purposes of fulfilling its obligations under PMLA and rules/guidelines issued thereunder by SEBI and/or RBI without obtaining the prior approval of the investor/Unit Holder/ any other person

D. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME

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

In case of non-fulfilment with the condition of 50% holding by a single investor on the date of allotment, the application to the extent of exposure in excess of the stipulated 50% limit would be liable to be rejected and the allotment would be effective only to the extent of 50% of the corpus collected. Consequently, such exposure over 50% limits will lead to refund within 5 days from the date of closure of the private placement period

E. DEFINITIONS AND ABBREVIATIONS

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

Applicable NAV	Unless stated otherwise in the Private Placement Memorandum, Applicable NAV is the Net Asset Value as of the Day of maturity of the scheme. (For details, please refer to the section on "NAV" under Part B of Section III)
Business Day	A day other than (i) Saturday or Sunday or (ii) a day on which the Reserve Bank of India and/or Banks in Mumbai are closed for business or clearing or (iii) a day on which there is no RBI clearing/settlement of securities or (iv) a day on which the Bombay Stock Exchange and/or National Stock Exchange are closed or (v) a day on which the maturity of Units is suspended by the Trustee/AMC or (vi) a day on which normal business could not be transacted due to storms, floods, other natural calamities, bandhs, strikes or such other events or as the AMC may specify from time to time. The AMC reserves the right to declare any day as a Business Day
Capital Commitment	The total amount that an Investor agrees to contribute to the Fund by way of subscription to Units of the Fund
Custodian	A person who has been granted a certificate of registration to carry on the business of custodian of securities under the Securities and Exchange Board of India (Custodian of Securities) Regulations 1996 which for the time being is HDFC Bank Ltd., acting as Custodian to the Scheme
Depository	"Depository" as defined in the Depositories Act, 1996 (22 of 1996)
Depository Participants (DP)	a person registered as such under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992
Distributor	Such persons/firms/companies/corporate who fulfil the criteria laid down by SEBI/AMFI from time to time and as may be appointed by the AMC to distribute/sell/market the Schemes of the Fund
FIIs	Foreign Institutional Investors, registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
Fixed Income Securities	Debt Securities created and issued by, inter alia, Central Government, State Government, local authorities, municipal corporations, PSUs, public companies, private companies, bodies corporate and any other entities which may be recognized/permitted which yield at fixed or variable rate by way of interest, premium, discount or a combination of any of them
Floating Rate Instruments	Floating rate instruments are debt/money market instruments issued by Central/State Government with interest rates that are reset periodically The periodicity of interest reset could be daily, monthly, annually or any other periodicity that may be mutually agreed between the issuer and the Fund
Fund or Mutual Fund	IL&FS Mutual Fund (IDF) ("the Mutual Fund" or "the Fund" or "ILFS Infrastructure Debt Fund") which has been constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a Trust Deed dated January 21, 2013 The office of the Sub-Registrar of Assurances at Mumbai had registered the Trust Deed establishing the Fund under the Registration Act, 1908. The Fund was registered with SEBI vide Certificate of Registration No. MF/072/13/02 dated February 1, 2013
Gilt or Government Securities	Sovereign Securities created and issued by the Central Government and/or a State Government (including Treasury Bills) or Government Securities as defined in the Public Debt Act, 1944, as amended or re-enacted from time to time

Infra AMC or Asset Management Company (AMC) or Investment Manager	IL&FS Infra Asset Management Limited (IIAML), a company incorporated under the Companies Act, 1956, and approved by SEBI to act as the Asset Management Company for the Schemes of IL&FS Infrastructure Debt Fund
Infrastructure Debt Fund Scheme	"Infrastructure debt fund scheme" means a mutual fund scheme that invests primarily (minimum 90% of Scheme assets) in the debt securities or securitized debt instrument of infrastructure companies or infrastructure capital companies or infrastructure financing companies or infrastructure projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure, and other permissible assets in accordance with these regulations or bank loans including by way of securitization in respect of completed and revenue generating projects of infrastructure companies or projects or special purpose vehicles
Infrastructure	"Infrastructure" includes the sectors as specified by guidelines issued by SEBI or as notified by Ministry of Finance, from time to time
Investment Management Agreement	The Amended and Restated agreement dated September 5, 2013 entered into between IL&FS AMC Trustee Limited and IL&FS Infra Asset Management Limited read along with addendum dated January 16, 2017 (read with its amendments from time to time)
Investor Service Centres or ISCs	Offices of IL&FS Infra Asset Management Limited or such other centres/offices as may be designated by the AMC from time to time which may include the offices of the Registrar and Transfer agents
Money Market Instruments	Commercial papers, Commercial bills, treasury bills, Government Securities having an unexpired maturity up to one year, certificates of deposit, usuance bill and any other like instruments as specified by the Reserve Bank of India from time to time including MIBOR linked securities and call products having unexpired maturity up to one year
NAV	Net Asset Value per Unit of the Scheme, calculated in the manner described in this Private Placement Memorandum or as may be prescribed by the SEBI (MF) Regulations from time to time to be declared atleast once in each quarter
NRIs	Non-Resident Indians
Official Points of acceptance of transaction	All applications for purchase of Units should be submitted by investors at the official point of acceptance of transactions at the office of the registrar and/or AMC as may be notified from time to time. For details please refer to the application form and/or website of the Mutual Fund at www.ilfsinfrafund.com
Private Placement	Private Placement means any offer of units of a mutual fund scheme or invitation to subscribe such units to a select group of persons, by a mutual fund (other than by way of public offer) through issue of a placement memorandum and which is not being calculated to result, directly or indirectly in the units becoming available for subscription or purchase by persons other than those receiving the offer or invitation
Private Placement Memorandum	This document issued by IL&FS Infrastructure Debt Fund, offering Units of IL&FS Infrastructure Debt Fund - Series 1-A, 1-B and 1-C for subscription to investors during placement period
Private Placement Period	The dates on, or the period during which, the initial subscription to Units under this Scheme can be made to less than 50 investors
Person of Indian Origin	A citizen of any country other than Bangladesh or Pakistan, if- a) he at any time held an Indian passport, or b) he or either of his parents or any of his grand-parents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955) or c) the person is a spouse of an Indian citizen or a person referred to in sub clause (a) or (b)

Qualified Foreign Investor or QFI	Qualified Foreign Investor (QFI) shall mean a person who fulfils the following criteria: (i) Resident in a country that is a member of Financial Action Task Force (FATF) or a member of a group which is a member of FATF; and (ii) Resident in a country that is a signatory to IOSCO's MMOU (Appendix A Signatories) or a signatory of a bilateral MOU with SEBI: Provided that the person is not resident in a country listed in the public statements issued by FATF from time to time on: (i) jurisdictions having a strategic Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) deficiencies to which counter measures apply, (ii) jurisdictions that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies: Such person is not resident in India Such person is not registered with SEBI as Foreign Institutional Investor or Sub-account or Foreign Venture Capital Investor Explanation: For the purposes of this definition: (1) The term "Person" shall carry the same meaning under Foreign Exchange Management Act (FEMA), 1999 and section 2(31) of the Income Tax Act, 1961; (2) The phrase "resident in India" shall carry the same meaning as in the FEMA 1999, and Income Tax Act, 1961; (3) "Resident" in a country, other than India, shall mean resident as per the direct tax laws of that country (4) "Bilateral MoU with SEBI" shall mean a bilateral MoU between SEBI and the overseas regulator that inter alia provides for information sharing arrangements (5) Member of FATF shall not mean an Associate member of FATF
RBI or Reserve Bank of India	Reserve Bank of India, established under the Reserve Bank of India Act, 1934, as amended from time to time
Repo/Reverse Repo	Sale/Purchase of Government Securities as may be allowed by RBI from time to time with simultaneous agreement to repurchase/resell them at a later date
Registrar and Transfer Agent (RTA)	Computer Age Management Services Pvt. Ltd (CAMS) (currently acting as RTA to the Scheme), or any other registrar appointed by the AMC from time to time
SEBI	Securities and Exchange Board of India established under Securities and Exchange Board of India Act, 1992, as amended from time to time
Strategic Investor	'Strategic Investor' means; (i) an Infrastructure Finance Company registered with Reserve bank of India as Non Banking Financial Company; (ii) a Scheduled Commercial Bank; (iii) International Multilateral Financial Institution; (iv) Systemically Important Non Banking Financial Companies registered with Reserve Bank of India; (v) Foreign Institutional Investors registered with the Board, subject to their applicable investment limits, which are long term investors in terms of the norms specified by SEBI Further, the following categories of FIIs are designated as long term investors only for the purpose of IDF: a. Foreign Central Banks b. Governmental Agencies c. Sovereign Wealth Funds d. International/Multilateral Organizations/Agencies e. Insurance Funds f. Pension Funds Such other inclusion as may be made by SEBI from time to time

SPVs	Special Purpose Vehicles
The Regulations or the SEBI (MF) Regulations	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended from time to time
The Scheme	IL&FS Infrastructure Debt Fund - Series 1-A (IIDF-Series 1-A) IL&FS Infrastructure Debt Fund - Series 1-B (IIDF-Series 1-B) IL&FS Infrastructure Debt Fund - Series 1-C (IIDF-Series 1-C) The words Scheme or Series have been used interchangeably throughout this document
Trustee	IL&FS AMC Trustee Limited a company incorporated under the Companies Act, 1956, and approved by SEBI to act as the Trustee for the Scheme/s of Fund
Trust Deed	Trust Deed means the Amended and Restated Trust Deed dated September 5, 2013 constituted in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) read along with addendum dated January 16, 2017 in accordance with SEBI (Mutual Funds) Regulations, 1996. The Trust Deed has been registered under the Indian Registration Act, 1908
Trust Fund	Amounts settled/contributed by the Sponsor towards the corpus of the Fund and additions/accretions thereto
Unit	Each unit of interest of an investor in the Scheme that consists of one undivided share (of face value of ₹ 10,00,000/- per unit)
Unit holder	A person holding Units in the Scheme of IL&FS Infrastructure Debt Fund - Series 1-A,1-B or 1-C offered under this Private Placement Memorandum

For all purposes of this Private Placement Memorandum except as otherwise expressly provided or unless the context otherwise requires:

- the terms defined in this Private Placement Memorandum include the plural as well as the singular
- pronouns having a masculine or feminine gender shall be deemed to include the other
- all references to "₹" refer to Indian Rupees. A "crore" means "ten million" and a "lakh" means a "hundred thousand". Reference to "bn" is billion

F. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY

A Due Diligence Certificate duly signed by the Chief Executive Officer of the AMC and a Director of the Trustee Board has been submitted to SEBI on February 2, 2017 which reads as follows:

It is confirmed that :

(i) The final Private Placement Memorandum forwarded to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time

(ii) all legal requirements connected with the launching of the scheme as also the guidelines, instructions, etc., issued by the Government and any other competent authority in this behalf, have been duly complied with

(iii) the disclosures made in the Private Placement Memorandum are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the proposed scheme

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

For **IL&FS Infra Asset Management Limited**	For **IL&FS AMC Trustee Limited**
Sd/- **Jignesh Shah** *Chief Executive Officer*	Sd/- **Arun Kumar Saha** *Director*

Place : Mumbai
Date : February 2, 2017

II INFORMATION ABOUT THE SCHEME

A. TYPE OF THE SCHEME

A close ended Infrastructure debt Scheme with specified tenure of minimum five years for IIDF Series 1-A, seven years for IIDF Series 1-B and ten years for IIDF Series 1-C

B. WHAT IS THE INVESTMENT OBJECTIVE OF THE SCHEME?

The investment objective of the Scheme is to seek to generate income and capital appreciation by investing primarily in infrastructure debt instruments as permitted by SEBI from time to time

There is no assurance or guarantee that the objective of the Scheme will be realised

C. HOW WILL THE SCHEME ALLOCATE ITS ASSETS?

Instrument	Indicative Allocation (%)		Risk Profile
	Min.	Max.	
Debt securities (including fixed/floating rate debt instruments) or securitized debt instrument of infrastructure companies or infrastructure capital companies or infrastructure projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure, and other permissible assets in accordance with these regulations or loans in respect of completed and revenue generating projects of infrastructure companies or projects or special purpose vehicles and other permissible securities/assets in accordance with these regulations*	90%	100%	Medium to High
Money market instruments, Bank Deposits, or Government securities with residual maturity of upto 1 year and such other permissible securities	0%	10%	Low to Medium

*The funds received on account of re-payment of principal, whether by way of pre-payment or otherwise, with respect to the underlying assets of the scheme, shall be invested as specified. Further if the investments specified in this sub regulation are not available, such funds may be invested in bonds of Public Financial Institutions and Infrastructure Finance Companies. In case such investments are not available then the Scheme may make investments in money market instruments (including CBLO, Repo/Reverse Repo, CD/CP and T-Bills), Government Securities, bank deposits and such other investments as permitted under the Regulations. The Fund Manager will endeavour to rebalance the portfolio within 6 months in accordance with the SEBI (Mutual Funds) Regulations

The Scheme will not be investing in equity shares, convertible instruments and foreign securities. The Scheme does not propose to engage in securities lending / short selling

Pending deployment of funds at the time of construction of the portfolio, the Scheme may make investments in money market instruments (including CBLO, Repo/Reverse Repo, CD/CP and T-Bills), Government Securities, bank deposits and such other investments as permitted under the Regulations

The Fund manager will endeavour to construct the portfolio within a period of 6 months. However, this period may be extended if the market conditions are not suitable from the risk return perspective. Such deviations, if any shall be reviewed by the Investment Committee

The Fund Manager may invest in infrastructure assets/securities of Group/Associate companies as per the SEBI (MF) Regulations

D. WHERE WILL THE SCHEME INVEST?

The corpus under the Scheme will be invested in rated debt instruments which are rated as investment grade by any rating agency like CRISIL, CARE, ICRA, India Ratings & Research (Ind-Ra) and Brickworks Ratings. The Scheme may also invest in unrated debt securities, securitized debt instruments of infrastructure companies, special purpose vehicles, loans of completed and/or revenue generating projects of infrastructure companies or (to the extent permissible under the applicable Regulations), Money Market Instruments, Government Securities, bank deposits or such other securities permitted for Infrastructure Debt Fund Schemes. Subject to the SEBI (Mutual Funds) Regulations, the corpus of the Scheme can be invested in any of the following securities:

(i) Debt securities including mezzanine debt or securitized debt instruments of infrastructure companies or Infrastructure Finance Companies or infrastructure capital companies or projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure or loans by way of securitization in respect of completed and revenue generating projects of infrastructure companies or special purpose vehicle or projects

(ii) Money market instruments or Government Securities having an unexpired maturity of less than 1 year permitted by SEBI/RBI, or in investments in the call money market, CBLO, repo, reverse repo as may be provided by RBI to meet the liquidity requirements

(iii) Certificate of Deposits (CDs) and Fixed Deposits (FDs) of banks

(iv) Commercial Papers (CPs)

(v) Non-convertible fixed income securities

(vi) Any other domestic Fixed Income Securities

(vii) Any other non-convertible fixed income instruments as may be permitted by SEBI/ RBI or such other Regulatory Authority from time to time

Further, the Fund would be allowed to invest funds received on account of pre-payment of principal or regular repayments of principal with respect to the underlying assets of the Fund in bonds of Public Financial Institutions (PFIs) and Infrastructure Finance Companies (IFCs) pending deployment in core assets like debt instruments or securitized debt of infrastructure companies, loans related to infrastructure, etc. for deployment of the amounts of principal. In case such investment opportunities are not available then the Scheme may invest in money market instruments, bank deposits, Government securities with residual maturity of upto 1 year and such other permissible securities

The Scheme may invest 100% of its investment in unlisted instruments except of any unlisted security of the Sponsor or its associate or group company

The Scheme is permitted to invest in listed, unlisted, privately placed, secured, unsecured, rated or unrated security of maturity upto the maturity of the Scheme. Subject to the Regulations, the aforesaid securities may be acquired through Initial Public offerings (IPOs), secondary market operations, private placement, rights offers or negotiated deals

E. WHAT ARE THE INVESTMENT STRATEGIES?

The investment strategy will conform to the broad guidelines prescribed in the investment policy

(a) Investment due diligence:

The Asset Management Company has set up an Investment Committee with two Directors, Chief Executive Officer (CEO), Chief Investment Officer (CIO) and Chief Risk Officer (CRO) as its members. The Investment Committee would be responsible for some of the following significant matters:

- Designing and review of investment policy
- Evaluation and Approval of the Investment proposal
- Adherence to Investment Criteria and limits as internally set and approved and as applicable/specified in the SEBI (MF) Regulations
- Supervision of performance of the investment portfolio and any risk associated therewith on regular basis
- Review of risk rating framework for evaluation of investment proposal
- Monitoring of collection efficiency and asset quality
- Approval of delegation guidelines for the fund managers/ investment officers
- Review of Reports on quality of Investments and adherence to risk parameters
- Designing and submitting of adequate reports for the review of the Board of Trustees ie. IL&FS AMC Trustee Limited and Board of Directors of the Asset Management Company and as may be required to be submitted to SEBI and any other regulator
- The Investment Committee (“IC”) will meet at suitable intervals to consider, review and approve the Investment proposals

(b) Investment Process

- Fund Manager will identify the Investment Proposal and would undertake pre-screening of the proposal
- On being satisfied with the pre-screening stage, the Fund Manager would put up the proposal for review from the perspective of Risk Management, Legal and Taxation, who will provide their opinion on the above aspects
- Post clearance by the above, the Investment proposal would be forwarded to the Investment Committee
- Investment Committee would approve the Investment proposal with rationale for Investment being recorded in writing

(c) Investment Parameters

An Investment Proposal would be reviewed based on the following parameters:

Financial	External	Technical & Commercial	Promoters
• Project Cost • Implementation Schedule and Status • Mode, Means and Source of Finance • Interest Rate and Exchange Fluctuation • Collateral and Security • Repayment Period including moratorium • Project analysis using Fund Flow, Budgeting techniques • Sensitivity Analysis • Credit Rating	• Demand Supply Scenario • Government Policies and stability • Regulatory Framework • Segment Entry & Exit Barriers	• Project Particulars & Highlights • Project Feasibility Report • Tie up with Vendors and terms thereof • Offtake structure arrangements, long term contracts • Audit and Project Appraisal Study/ Report • Project Location and Logistic Arrangement • Execution Process/technology • Environmental and Social Impact • Status of Project approvals	• Organization's past record • Promoters Track Record • Associated Companies and their track record • Management Capability • Organization's Classification i.e PSUs, Private etc • Relationship with existing Bankers and Financial Institutions

F. FUNDAMENTAL ATTRIBUTES

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

(i) Type of Scheme

A close ended Infrastructure debt scheme with tenure as specified for each Series as stated under Sub Section A of Section II

(ii) Investment Objective

- Main Objective - Investment Objective as stated under Sub Section B of Section II
- Investment Pattern –Investment Pattern as stated under Sub Section C of Section II

(iii) Terms of the Issue

- Liquidity provisions such as listing, repurchase, redemption as stated under Sub Section A of Section III
- Aggregate fees and expenses charged to the Scheme as stated under Sub Section D of section III
- The Scheme does not guarantee any assured returns

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations, the Trustees shall ensure that no change in the fundamental attributes of the Scheme(s)/Plan(s)/Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s)/Plan(s)/Option(s) thereunder and affect the interests of unit holders is carried out unless:

- A written communication about the proposed change is sent to each unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
- The unit holders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any exit load

G. BENCHMARK AND ITS JUSTIFICATION

CRISIL Composite Bond Fund Index or such other Index that the AMC determines fit to use in this regard. The Fund reserves the right to change the said benchmark and/or adopt one/more other benchmarks to compare the performance of the Scheme

The CRISIL Composite Bond Fund Index is an index to track return on a Composite Portfolio that includes Government Securities as also the AAA and AA rated instruments. It is a convenient and easily available tool for analysis of market movements and for determining the corresponding effect on a portfolio consisting of the above-mentioned instruments. As of now it is widely used and best available benchmark for evaluating performance of Scheme/s of the AMC

H. WHO MANAGES THE SCHEME?

Name	Qualification	Experience	Period
Mr Rachit Nagpal Age - 34 years	PGDM, 2010, IIM Lucknow Dual Degree: B.Tech (H) - Civil Engineering & M.Tech - Structural Engineering, 2006, IIT Kharagpur	Mr Nagpal has 8+ years of focussed experience in evaluating and financing Infrastructure projects across various sectors including power, roads, renewable energy among others. He has been associated with IL&FS Infra Asset Management Limited since 2013. Prior to joining IL&FS Infra Asset Management Limited, he has worked with L&T Infrastructure Finance Co. Ltd for 3.5 years and Engineers India Limited (EIL) for 2 years	• Fund Management, IL&FS Infra Asset Management Limited - November 2013 till date • Credit Risk and Project finance, L&T Infrastructure Finance Company Limited (May 2010 – Nov 2013) • Structural Engineering, Engineers India Limited (Sep 2006 – June 2008)

All the three Scheme(s)/Series shall be managed by the above mentioned Fund Manager(s)

L. WHAT ARE THE INVESTMENT RESTRICTIONS?

Pursuant to the Regulations and amendments thereto, all investments by the Scheme and the Mutual Fund will always be within the investment restrictions as specified in the Regulations which are stated below:

(a) Every infrastructure debt fund scheme shall invest at least 90% of the net assets of the scheme in the debt securities or securitized debt instruments of infrastructure companies or infrastructure capital companies or projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure or bank loans only by way of securitisation mode in respect of completed and revenue generating projects of infrastructure companies or special purpose vehicle

Provided that the funds received on account of re-payment of principal, whether by way of pre-payment or otherwise, with respect to the underlying assets of the scheme, shall be invested as specified in this sub-regulation

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

(b) Subject to sub-regulation (1), every infrastructure debt fund scheme may invest the balance amount in mezzanine financing instruments of companies engaged in infrastructure, infrastructure development projects, whether listed on a recognized stock exchange in India or not; or money market instruments and bank deposits

(c) The investment restrictions shall be applicable on the life-cycle of the infrastructure debt fund scheme and shall be reckoned with reference to the total amount raised by the infrastructure debt fund scheme

(d) No mutual fund shall, under all its infrastructure debt fund schemes, invest more than thirty per cent of its net assets in the debt securities or assets of any single infrastructure company or project or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure or bank loans in respect of completed and revenue generating projects of any single infrastructure company or project or special purpose vehicle

(e) An infrastructure debt scheme shall not invest more than 30% of the net assets of the scheme in debt instruments or assets of any single infrastructure company or project or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure or bank loans in respect of completed and revenue generating projects of any single infrastructure company or project or special purpose vehicle

(f) The overall investments by an infrastructure debt fund scheme in debt instruments or assets of infrastructure companies or projects or special purpose vehicles, which are created for the purpose of facilitating or promoting investment in infrastructure or bank loans in respect of completed and revenue generating projects of infrastructure companies or projects or special purpose vehicles, which are rated below investment grade or are unrated, shall not exceed 30% of the net assets of the scheme:

Provided that the overall investment limit may increase upto 50% of the net assets of the scheme with the prior approval of the trustees and the board of the asset management company

(g) No infrastructure debt fund scheme shall invest in –

(i) Any unlisted security of the sponsor or its associate or group company;

(ii) Any listed security issued by way of preferential allotment by the sponsor or its associate or group company;

(iii) Any listed security of the sponsor or its associate or group company or bank loan in respect of completed and revenue generating projects of infrastructure companies or special purpose vehicles of the sponsor or its associate or group companies, in excess of 25% of the net assets of the scheme, subject to approval of trustees and full disclosures to investors for investments made within the aforesaid limits; or

(iv) any asset or securities owned by the sponsor or asset management company or their associates in excess of 30% of the net assets of the scheme, provided that-

(a) such investment is in assets or securities not below investment grade;

(b) the sponsor or its associates retains atleast 30% of the assets or securities, in which investment is made by the scheme, till the assets or securities are held in the scheme portfolio; and

(c) approval for such investment is granted by the trustees and full disclosures are made to the investors regarding such investment

(h) The mutual fund shall get the securities purchased transferred in the name of the mutual fund on account of the concerned scheme, wherever investments are intended to be of a long-term nature

(i) The mutual fund shall buy and sell securities on the basis of deliveries and will not make any short sales or engage in carry forward transactions except as and when permitted by the RBI/ SEBI in this regard (for example “when issued market” transactions)

(j) The Scheme shall invest only in such securities which mature on or before the final maturity date of the Scheme. However, the Scheme may elect to invest in securities that may have a longer maturity than maturity of the Scheme in a structured transaction, provided that, a guaranteed ‘take-out’ on or before the final maturity date of the Scheme is available from an investment grade entity as part of the structure of such security/investment. The date of such take-out shall not exceed the final maturity date of the Scheme

(k) Pending deployment of funds at the time of construction of the portfolio or at the Scheme, may make investments in money market instruments (including CBLO, Repo/Reverse Repo, CD/CP and T-Bills), Government Securities, bank deposits and such other investments as permitted under the Regulations

(l) The Scheme will comply with all the Regulations as applicable from time to time

(m) Transfer of investments from one scheme to another scheme, including this scheme, under the Mutual Fund shall be allowed only if:

- Such transfers are done at the prevailing market price for quoted securities on spot basis or as per the valuation policy set by the AMC for unquoted securities; explanation - “spot basis” shall have the same meaning as specified by the stock exchange for spot transactions, and
- The securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made

(n) The scheme may borrow up to a maximum of 20% of the net assets of the scheme for a maximum duration of 6 months in order to meet redemption of units/dividends or interest payouts as a temporary liquidity measure as per Regulation 44(2) of Chapter VI of SEBI [Mutual Funds] Regulations, 1996, on such terms (as to creation of charge on the properties of the scheme, rate of interest, margins etc.) as the Trustee/AMC considers to be in the interest of investors. Such borrowings if made may result in interest cost. The limit of 20% may be revised at the discretion of the Fund and to the extent the Regulations hereafter permit. The Fund may raise such borrowings after approval by the Trustee from any of its Sponsors/Associate/Group Companies/Commercial Banks in India or any other entity at market related rates prevailing at the time and applicable to similar borrowings

(o) The AMC/Trustees may alter the above restrictions from time to time to the extent that changes in the Regulations may allow and/or as deemed fit in the general interest of the Unit holders. The AMC/ Trustees may also implement certain internal control procedures/risk & exposure limits etc. which may be varied from time to time

J. INVESTMENT BY THE AMC IN THE SCHEME

The AMC may invest in the Scheme during the Placement period. As per the Regulations, such investments are permitted subject to disclosure being made in the PPM. However, the AMC shall not be entitled to charge any management fee on its investments in the Scheme

K. HOW HAS THE SCHEME PERFORMED?

Scheme Name	**Returns From 16/12/13# to 30/12/16**	**Benchmark***	**Returns From 01/01/15 to 31/12/15**	**Benchmark***	**Returns From 01/01/16 to 30/12/16**	**Benchmark***
IL&FS Infrastructure Debt Fund, Series -1A	10.65%	12.03%	9.56%	8.63%	10.61%	12.93%
IL&FS Infrastructure Debt Fund, Series -1B	10.87%	12.03%	9.38%	8.63%	10.63%	12.93%
IL&FS Infrastructure Debt Fund, Series -1C	10.77%	12.03%	9.75%	8.63%	10.34%	12.93%

#Since Inception
*Benchmark – Crisil Composite Bond Fund Index
Past performance may or may not be sustained in future
Returns greater than 1 year period are compounded annualized (CAGR)
Notes: (a) The above scheme returns and benchmark are on an annual compounding basis
(b) The above scheme return is net of 1.44% expenses and benchmark return is on a gross basis

L. INDICATIVE PORTFOLIO BASED ON THE TYPE OF ASSETS

Type of Assets in which the scheme proposes to invest

As stated in section D above

Indicative portfolio allocation *

The indicative portfolio allocation is as follows:

Intended Investment in	**% of portfolio range**	**Rating Range**
Operational Infrastructure Projects	20-100	AAA to BBB-
Projects under construction	0-15	AAA to BBB-
Acquisition of bank loans through securitisation	25-100	AAA to BBB-
Funding to Infrastructure Companies or Infrastructure Capital Companies	0-40	AAA to BBB-
Mezzanine debt #	0-10	AAA to BBB-
Bonds of Public Financial Institutions (PFI) or Infrastructure Finance Companies **	0-100	AAA to BBB-
Money market/liquid securities #	0-10	AAA to A

***Notes:**

1. Inter-se breakup across the rating range will be left to the discretion of the Fund Manager. The above range may also include investments in unrated papers within the investment limitations stipulated by SEBI (MF) Regulations
2. The table above is an indicative portfolio based on current market conditions. While the Fund Manager will endeavour to target this portfolio, there is no guarantee that the actual portfolio achieved will be in line with the indicated portfolio
3. The underlying risk return dynamics will also play a critical role in the actual investment style
4. Further, redeployment opportunities might not be available in certain segments or might not provide an attractive risk adjusted return and hence the actual portfolio over the life of the Scheme might be different than the target portfolio
5. Securities with rating BBB, A and AA shall include BBB+ and BBB-, A+ and A- & AA+ and AA- respectively. Similarly, securities with A1, A2 etc shall include A1+, A2+etc
6. There can be positive variation in the range in investment towards higher credit rating in the same instrument
7. At the time of portfolio construction post Private Placement Period and towards the maturity of the scheme, there may be a higher allocation to cash and cash equivalent.
8. The Fund Manager may invest in infrastructure assets/securities of Group/Associate companies as per the SEBI (MF) Regulations
9. The investments in rated securities shall be made based on the rating prevalent at the time of investment. However, in case of an instrument having dual ratings, the most conservative publicly available rating would be considered.
10. The fund would target to invest at least 70% of the corpus in rated instruments. The maturity of the investments will be on or before maturity of the scheme, or later only when a guaranteed take-out is available from an investment grade rated entity
11. ** As per current SEBI regulations, repayments from assets can be invested in bonds of Public Financial Institutions and Infrastructure Finance Companies. Towards the end of project life or maturity of Scheme, it is possible that significant holdings may be in such bonds as it may be difficult to find assets with shorter a maturity than remaining life of the fund
12. # The exposure to Mezzanine debt and Money market/liquid securities will be upto 10% of the corpus

M. VALUATION POLICY FOR THE ASSETS OF THE SCHEME

Please refer to the Statement of Additional Information for a detailed Valuation Policy

N. EXTENSION IN THE TENURE OF THE SCHEME

The Tenure of the Scheme may be extended by two years subject to the approval of two-thirds the Unit holders by value of their investment in the scheme as stipulated under the SEBI (MF) Regulations

III PLACEMENT DETAILS

This section provides details you need to know for investing in the scheme

A. PRIVATE PLACEMENT PERIOD

Private Placement opened on: June 18, 2013

Placement Period Close date has been informed by way of an addendum and hosted on www.ilfsinfrafund.com

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

Offer Price: This is the price per unit that the investors have to pay to invest during the Placement Period	₹ 10,00,000/- (Rupees Ten Lakhs only) per unit The AMC may issue partly paid units at initial close and call for unpaid portions subsequently depending upon deployment opportunities
Minimum Amount for Application	₹ 1 crore and in multiples of ₹ 10 lakh thereafter
Minimum Target amount This is the minimum amount required to operate the scheme and if this is not collected during the Placement Offer Period, then all the investors would be refunded the amount invested without any return. However, if AMC fails to refund the amount within five business days, interest as specified by SEBI (currently 15% p.a.) will be paid to the investors from the expiry of five working days from the date of closure of the subscription period	₹ 50,00,00,000/- (Rupees Fifty crores only) for each Series
Details of strategic investors and amounts committed by them	IL&FS Financial Services Limited (erstwhile sponsor) had committed ₹ 25,00,00,000/- only (Rupees 25 crore only) for each Series
Plans/Options offered	(1) The Scheme offers two plan/s: (i) Direct Plan and (ii) Regular Plan Investors investing directly in the Scheme and not through any Distributor can invest by choosing the 'Direct' Plan. Investors investing through a Distributor can invest by choosing the 'Regular' Plan. The Direct Plan of the Scheme shall have a lower expense ratio excluding distribution expenses, commission, etc. since such expenses shall be paid in this Plan Investors subscribing under Direct Plan of the scheme will have to indicate "Direct Plan" in the application form. Investors should also indicate "Direct" in the ARN column of the application form. However, in case Distributor code is mentioned in the application form, but "Direct Plan" is indicated against the scheme name, the Distributor code will not be considered and the application will be processed under Direct Plan. Direct Plan shall be the default plan if the investor doesn't indicate any plan in the application form or in case of any ambiguity (2) The Scheme offers two option(s) under each Plan. (i) Growth Option and (ii) Dividend Payout Option Investors may choose either the Growth Option or the Dividend Payout Option under each Plan: (i) Growth Option: The Scheme will not declare any dividend under this option (ii) Dividend Payout Option: The Fund will endeavour to declare dividends as and when deemed fit on and/or before the closure of the Scheme. In case no dividend is declared

	during the tenure of the scheme or at closure, the net surplus, if any, will remain invested and be reflected in the NAV There shall be a single portfolio under each scheme/series In case no option is indicated in the application form, then growth option shall be considered as default option
Dividend Policy	Dividend declaration shall be in line with provisions mentioned in SEBI Circular IMD/Cir. No. 1/64057/06 dated April 4, 2006 read with further clarifications issued from time to time Dividend declaration under the dividend option of the Scheme is subject to the availability of distributable surplus and at the discretion of the Fund Manager, subject to approval of the trustees and no returns are assured under the scheme Dividend if declared will be paid to the Unit holders as appearing in the beneficial owners master with the Depository for unit holders who have opted for dematerialised holding and register of unit holders with the Registrar & Transfer Agent for those unit holders who have opted for non-dematerialised holding as on the record date. To the extent the entire net income and realised gains are not distributed, the same will remain invested in the option and will be reflected in the NAV. The AMC may announce a book closure period for the purpose of making the dividend payment For details on taxation of dividend, please refer to the Taxation section in the Statement of Additional Information (SAI) and part B of Section III of this document Investors should note that NAVs of the Dividend Option and the Growth Option will be different after the declaration of dividend under the Scheme
Allotment (Shall be made within five working days of the closure of the Placement Period)	All applicants including applications received through ASBA on or before the date of closure of the Placement Period of the Scheme will receive full and firm allotment of Units, provided the applications are complete in all respects and are found to be in order, subject to the collection of the minimum subscription amount The Trustee/AMC retain the sole and absolute discretion to reject any application. The process of allotment of Units will be completed within 5 business days from the date of closure of the Private Placement Period for those investors opting for physical mode of holding the Units. For investors holding units under dematerialised mode, the statement of account shall be sent by the Depository Participant in accordance with SEBI (Depositories and Participants) Regulations, 1996 The AMC/Trustee may require or obtain verification of identity or such other details regarding any subscription or related information from the investor/unit holders as may be required under any law, which may result in delay in dealing with the applications, units, benefits, distribution, etc Further, the AMC shall send confirmation specifying the number of units allotted to the applicant by way of an email and/or SMS's to the applicant's registered email address and/or mobile number as soon as possible but not later than five working days from the date of closure of the Private Placement Period (PPP)
Refund	If application is rejected, full amount will be refunded within 5 business days of closure of placement period. If refunded later than 5 business days, interest @15% p.a. for delay period will be paid and charged to the AMC The AMC will endeavour to refund the proceeds on the best effort basis either through electronic mode or physical mode. Refund by physical mode will include Refund orders that will be marked "A/c. Payee only" and be in favour of and be despatched to the sole/first Applicant, by registered post, speed post, hand delivery, courier etc In accordance with the SEBI (MF) Regulations, if the Scheme fails to collect the minimum subscription amount, the Mutual Fund and the AMC shall be liable to refund the money to the applicants under the Scheme. In addition to the above, refund of subscription amount to applicants whose applications are invalid for any reason whatsoever, will commence after the allotment process is completed

Dividend	The dividend warrants shall be dispatched to the Unit holders within 30 days of the date of declaration of the dividend
Redemption	No redemption shall be permitted during the tenure of the Scheme. The maturity proceeds shall be dispatched to the unitholders at the time of maturity of the Scheme within 10 working days from the date of maturity of the Scheme The Asset Management Company shall be liable to pay interest to the Unit holders at such rate as may be specified by SEBI for the period of such delay beyond 10 working days (presently @ 15% per annum)
Who can invest?	The following persons may apply for subscription to the Units of the Scheme: • Resident adult individuals either singly or jointly • Minor through parent/lawful guardian • Companies, Bodies Corporate, Public Sector Undertakings, association of persons or bodies of individuals whether incorporated or not and societies registered under the Societies Registration Act, 1860 (so long as the purchase of units is permitted under the respective constitutions) • Trustee(s) of Religious and Charitable and Private Trusts under the provision of Section 11(5) (xii) of the Income Tax Act, 1961 read with Rule 17C of Income Tax Rules, 1962 (subject to receipt of necessary approvals as "Public Securities" where required) • The Trustee of Private Trusts authorized to invest in mutual fund Schemes under their trust deed • Partner(s) of Partnership Firms and Limited Liability Partnership(s) • Karta of Hindu Undivided Family (HUF) • Banks (including Co-operative Banks and Regional Rural Banks), Financial Institutions and Investment Institutions • Non-resident Indians/Persons of Indian origin residing abroad (NRIs) on full repatriation basis or on non-repatriation basis • Foreign Institutional Investors (FIIs) registered with SEBI on full repatriation basis • Army, Air Force, Navy and other para-military funds • Scientific and Industrial Research Organizations • A Mutual Fund through its schemes, including Fund of Funds schemes • Qualified Foreign Investor (QFI) • Provident/Pension/Gratuity and such other Funds as and when permitted to invest • International Multilateral Agencies approved by the Government of India • Others who are permitted to invest in the Scheme as per their respective constitutions • Such other individuals/institutions/body corporate etc., as may be decided by the Mutual Fund from time to time, so long as wherever applicable they are in conformity with SEBI Regulations The Fund reserves the right to include/exclude new/existing categories of investors to invest in this Scheme from time to time, subject to regulatory requirements, if any ***Notes:*** 1. Non Resident Indians and Persons of Indian Origin residing abroad (NRIs)/Foreign Institutional Investors (FIIs) have been granted a general permission by Reserve Bank of India [Schedule 5 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 for investing in/redeeming units of the mutual funds subject to conditions set out in the aforesaid regulations 2. In case of application under a power of attorney or by a limited company or a corporate body or an eligible institution or a registered society or a trust fund, the original power of attorney or a certified true copy duly notarised or the relevant resolution or authority to make the application as the case may be, or duly notarised copy thereof, along with a certified copy of the memorandum and articles of association and/or bye-laws and/or trust deed and/or partnership deed and certificate of registration should be submitted

	3. The officials should sign the application under their official designation. A list of specimen signatures of the authorised officials, duly certified/attested should also be attached to the Application Form. In case of a trust/fund it shall submit a resolution from the trustee(s) authorising such purchases and redemptions 4. In case of application in the name of minor, the minor has to be the first and the sole holder. No joint holder will be allowed with the minor as the first or sole holder. The Guardian of the minor should either be a natural guardian (i.e. father or mother) or a court appointed legal guardian. A copy of birth certificate, passport copy, etc evidencing date of birth of the minor and relationship of the guardian with the minor, should be mandatorily attached with the application 5. The minor unit holder, on attaining majority, shall inform the same to AMC/Mutual Fund/Registrar and submit following documents to change the status of the account (folio) from 'minor' to 'major' to allow him to operate the account in his own right viz., (i) Duly filled request form for changing the status of the account (folio) from 'minor' to 'major' (ii) New bank details where account changed from 'minor' to 'major' (iii) Signature attestation of the major by a bank manager of Scheduled Bank/Bank certificate or Bank letter (iv) KYC acknowledgement letter of major. The guardian cannot undertake any financial and non-financial transactions after the date of the minor attaining majority in an account (folio) where the units are held on behalf of the minor, and further, no financial and non-financial transactions can be undertaken till the time the change in the status from 'minor' to 'major' is registered in the account (folio) by the AMC/Mutual Fund 6. Prospective investors are advised to satisfy themselves that they are not prohibited by any law governing such entity and any Indian law from investing in the Scheme(s) and are authorized to purchase units of mutual funds as per their respective constitutions, charter documents, corporate/other authorizations and relevant statutory provisions 7. No request for withdrawal of application made during the Placement Period will be entertained 8. This is an indicative list and investors are requested to consult their financial advisor or the AMC to ascertain whether the Scheme is suitable to their risk profile 9. Application not complying with the note 1 to 3 are liable to be rejected 10. Returned cheques are not liable to be presented again for collection, and the accompanying application forms are liable to be rejected. In case the returned cheques are presented again, the necessary charges, if any, are liable to be debited to the investor
Who cannot invest?	It should be noted that the following persons cannot invest in the scheme(s): 1. Overseas Corporate Bodies (OCBs) shall not be allowed to invest in the Scheme. These will be firms and societies, which are held directly or indirectly but ultimately to the extent of at least 60% by NRIs and trusts in which at least 60% of the beneficial interest is similarly held irrevocably by such persons (OCBs) 2. Non-Resident Indians residing in the United States of America and Canada NRIs residing in Non-Compliant Countries and Territories (NCCTs) as determined by the Financial Action Task Force
Listing of fully paid up units	The Units of the Scheme shall be listed within 5 business days when the Units are fully paid up on NSE. The in- principle approval from NSE has been received for listing of Units of the Scheme Buying or selling of Units by Investors can be made from the secondary market on the NSE. Units can be bought or sold like any other listed stock on the Exchange at market prices. The minimum lot size that can be bought or sold on the Exchange is 10 (Ten) units. Investors can purchase Units at market prices, which may be at a premium/discount to the NAV of the Scheme depending upon the demand and supply of Units at NSE. Unit holders who wish to trade in units would be required to have a demat account. All Investors may buy/sell Units on NSE on all the trading days of NSE as per the settlement cycle of the Stock Exchange

Delisting of units	The Units of the Scheme may be delisted from a recognised stock exchange in accordance with the guidelines as may be specified by the SEBI from time to time
Transfer	On listing, units of all schemes of the Mutual Fund which are held in demat form shall be freely transferable under the depository system and in accordance with the provisions of the SEBI (Depositories and Participants) Regulations, 1996. Transfers should be only in favour of transferees who are eligible for holding Units under the Scheme. The AMC shall not be bound to recognize any other transfer For effecting the transfer of Units held in electronic form, the Unit holders would be required to lodge delivery instructions for transfer of Units with the Depository Participant in the requisite form as maybe required from time to time and the transfer will be effected in accordance with such rules/regulations as may be in force governing transfer of securities in dematerialized mode If a person becomes a holder of the Units consequent to operation of law, or upon enforcement of a pledge, the Fund will, subject to production of satisfactory evidence, effect the transfer, if the transferee is otherwise eligible to hold the Units. Similarly, in cases of transfers taking place consequent to death, insolvency etc, the transferee's name will be recorded by the Fund subject to production of satisfactory evidence
Mandatory quoting of bank mandate and PAN by investors	As per the directives issued by SEBI, it is mandatory for applicants to mention their bank account numbers in their applications for purchase or redemption of units. It is also mandatory that Permanent Account Number (PAN) issued by the Income Tax Department would be the sole identification number for all investors transacting in the securities market, irrespective of the amount of transaction. If the Unitholder does not provide the Bank mandate and PAN, in the application form, then the AMC shall consider the application as invalid and refund the subscription amount to the investor within 5 business days from the date of closure of the placement period. It may be noted that, in case of those unit holders, who hold units in demat form, the bank mandate available with respective Depository Participant will be treated as the valid bank mandate for the purpose of payout at the time of maturity or at the time of any corporate action.
Registration of multiple bank accounts	Under this facility, individuals and HUF investors can register up to 5 bank accounts and non individuals can register up to 10 bank accounts by filling up the Multiple Bank Registration Form. AMC/RTA shall adopt the same process of verification for above registration as is applicable for a change in bank mandate. Investors are urged to request for specific 'Multiple Bank Account Registration Form' available at the AMC branches/ISC's of CAMS. This form is also hosted on the AMC website
Pledge/Lien	The Units under the Scheme (subject to completion of minimum tenure, if any) may be offered as security by way of a pledge/charge/lien in favor of scheduled banks, financial institutions, non-banking finance companies (NBFCs), or any other body. The AMC and/or the ISC will note and record such pledged units For units of the Scheme(s) held in electronic (demat) form, the rules of Depository applicable for pledge will be applicable for pledge/lien of units of the Scheme(s). Pledgor and Pledgee must have a beneficial account with the Depository. These accounts can be with the same DP or with different DPs Investors are requested to note that upon maturity, the Mutual Fund will release the proceeds for such lien marked units only after complete documentation is received with respect to lien release/removal/invocation. The AMC/the Fund will not be responsible or liable for delay in releasing the maturity proceeds in case of delay in receipt of relevant documents The Mutual Fund will have a first and paramount right of lien/set-off with respect to every unit/dividend under any scheme of the Mutual Fund for any money that may be owed by the unitholder to it
Capital Commitment	The Fund may initially issue partly paid units. The capital commitment of the investors would be the aggregate of the following

	(i) that portion of Capital Commitment contributed by such Investors on or before the Closing of placement period, and (ii) that portion of Capital Commitment contributed by such Investors at subsequent drawdowns Only upon fulfilling the above conditions, the Scheme would issue fully paid units
Subsequent Drawdowns	The Fund may make subsequent drawdowns of the Capital Commitment from the Investors from time to time **("Subsequent Drawdowns")** during the life-cycle of the Fund towards capital committed by the Investors during private placement depending on availability of investment opportunities For Subsequent Drawdowns, the Fund will, on a 'as needed' basis, issue a prior drawdown notice specifying the amount of Capital Commitment required to be made by such Investor and the date by which such payment is to be made, which date shall not be earlier than 21 (twenty one) days from the date of the drawdown notice **("Specified Date")** Drawdown notices may be sent by fax, email or courier to each Investor's address as stated in the subscription agreement in any of the manners specified herein and the delivery of such drawdown notice shall be deemed to mean that the Investors have received the said drawdown notice. The Fund may drawdown the entire Capital Commitment in such number of drawdowns as the AMC may determine
Default on Capital Calls and the interest or penalty thereon,with the interest or penalty being retained in the scheme.	If any Investor refuses or otherwise fails to make all or any part of its Capital Commitment when called by the AMC on behalf of the Fund, during the life cycle of the Fund set out in the relevant drawdown notice the AMC may at any time thereafter, at its discretion, declare such Investor to be in default and shall be liable for delayed payment of the unpaid amount of the Capital Commitment sought to be drawn down with interest, at the rate of 24% (twenty four per cent) per annum compounded monthly, within 30 (thirty) days from the date of the drawdown notice If the default continues beyond 30 (thirty) days from the date of the drawdown notice, the AMC at its discretion shall enforce against such Investor the following: (i) A defaulting Investor shall be required to sell its Units in the Fund to other existing Investors or to a third party at cost or at a price determined to be fair and reasonable under circumstances by the AMC, less any expenses, deductions, losses or distributions allocated to such defaulting Investor; OR (ii) In case the defaulting Investor is not able to sell its Units, then the AMC/Trustee would attempt to sell the same on behalf of the defaulting Investor to any Person; OR (iii) In the event that such sale cannot be completed for any reason whatsoever, the Units held by such defaulting Investor shall be forfeited and cancelled without, compensation of 100% of such Units along with any previous Capital Commitments of such Defaulting Investor; (iv) In addition to the above, the AMC shall: • cancel in full, the entitlements of the defaulting Investor to participate in any accrued and/ or future distributions to the holders of Units; • enforce the defaulting Investor's obligations through pursuing any rights and remedies the Fund may have against such defaulting Investor, including any legal proceedings; • terminate any voting rights of such defaulting Investor; and • cancel, in full, the entitlement of the defaulting Investor to participate in further investments (v) The AMC may take further such steps as it may deem fit towards enforcement of the defaulting Investor's obligations as above Notwithstanding the forfeiture of interests, the defaulting Investor shall continue to remain liable to pay to the Fund all amounts in respect of the unpaid Capital Commitment of such defaulting Investor to the Fund. The rights set out herein are without prejudice to the other rights and remedies available to the Fund, in law and equity against the defaulting Investor

	The AMC shall have full authority and power to do all acts, deeds and things and/or cause all acts, deeds and things to be done for the purpose of or incidental to or consequential upon the enforcement of consequences, enumerated hereinbefore, against the defaulting Investor
Restrictions, if any, on the right to freely retain or dispose of units being offered.	It may be noted that since the Scheme is close ended, Unit holders will not be able to redeem their units during the tenure of the scheme and there will be redemption by the scheme only on the maturity of the scheme. However, the Unit holders will be able transact on the stock exchange where the Scheme will be listed upon being fully paid up **FREEZING/SEIZURE OF ACCOUNTS** Investors may note that under the following circumstances the Trustee/AMC may at its sole discretion (and without being responsible and/or liable in any manner whatsoever) freeze/seize a Unit holder's account (or deal with the same in the manner the Trustee/AMC is directed and/or ordered) under a scheme: • Under any requirement of any law or regulations for the time being in force • Under the direction and/or order (including interim orders) of any regulatory/statutory authority or any judicial authority or any quasi-judicial authority or such other competent authority having the powers to give direction and/or order
Accounts statement	**For normal transactions during subscription and subsequent capital calls** • The AMC shall issue to the Investor whose application has been accepted, an account statement specifying the number of units allotted within five Business Days of Private placement period • For those Unit holders who have provided an e-mail address, the AMC/Registrar will send the account statement by e-mail • The Unit holder may request for a physical account statement by writing/calling the AMC/Registrar **For Units in dematerialized (demat) form during subscription and subsequent capital calls** The Unit holders under the Scheme shall have an option to hold the Units in demat form in accordance with the provisions laid under the respective Scheme and in terms of the guidelines/ procedural requirements as laid by the Depositories (NSDL/CDSL) from time to time For units held in demat form, the KYC performed by the Depository Participant of the applicants will be considered as KYC verification done by the Trustee/AMC In case, the Unit holder desires to hold the Units in a Dematerialized/Rematerialized form at a later date, the request for conversion of units held in non-demat form into Demat (electronic) form or vice-versa should be submitted along with a Demat/Remat Request Form to their Depository Participants Units held in demat form will be transferable subject to the provisions laid under the respective Scheme and in accordance with provisions of Depositories Act, 1996 and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 as may be amended from time to time A Consolidated Account Statement (CAS) shall also be sent to the Unit holder in whose folio transactions have taken place during that month, on or before 10th of the succeeding month by mail/e-mail. In case of specific request received from investors, Mutual Fund will provide an account statement to the investors within 5 Business Days from the receipt of such request
Transaction Charges (Applicable to 'Regular' Plan only)	Pursuant to SEBI Circular No. Cir/ IMD/ DF/13/ 2011 dated August 22, 2011, the AMC/the Fund shall deduct transaction charges as per the following details from the subscription amount. The amount so deducted shall be paid to the distributor/agent of the investor (in case they have "opted in") and the balance shall be invested. In accordance with SEBI circular no. CIR/IMD/DF/21/2012 dated September 13, 2012, the distributors shall have an option either to opt in or opt out of levying transaction charge based on type of the product 1. **First time investor in Mutual Fund (across all the Mutual Funds):** Transaction charge of ₹ 150/- for subscription of ₹ 10,000/- and above shall be deducted

	2. **Existing investor in Mutual Funds (across all the Mutual Funds):** Transaction charge of ₹ 100/- per subscription of ₹ 10,000/- and above shall be deducted 3. **Transaction charges shall not be deducted for:** a. purchases/subscriptions for an amount less than ₹10,000/- b. transaction other than purchases/subscriptions relating to new inflows such as Switch etc c. purchases/subscriptions made directly with the Fund (i.e. not through any distributor/agent) d. transactions through stock exchange mechanism. 4. The statement of account shall reflect the net investment as gross subscription less transaction charge and the number of units allotted against the net investment 5. As per SEBI circular no. SEBI/ IMD/ CIR No. 4/ 168230/09 dated June 30, 2009, the upfront commission to distributors shall be paid by the investor directly to the distributor by a separate cheque based on the investor's assessment of various factors including service rendered by the distributor
Where can you submit the Application i.e. Official Point of Acceptance	Computer Age Management Services Private Limited ("CAMS") have been appointed as Registrar for the Scheme The Registrar is registered with SEBI under registration No: INR000002813 As Registrar to the Scheme, CAMS will handle communications with Investors, perform data entry services and dispatch account statements. The AMC and the Trustee have satisfied themselves that the Registrar can provide the services required and have adequate facilities and the system capabilities. Investors can submit the application forms at the Official Points of acceptance of CAMS which are provided on inside back cover page Pursuant to SEBI Circular dated SEBI/IMD/CIR No 18/198647/2010 March 15, 2010, an investor can also subscribe to the Private Placement through ASBA facility. ASBAs can be accepted only by SCSB's whose names appear in the list of SCSBs as displayed by SEBI on its website www.sebi.gov.in The application forms can also be submitted at the designated offices/ISCs of CAMS Filled up applications can be submitted at the Offices of the collecting bankers, as per the details given on the last few pages of this document including the inside back cover page
How to apply	Please refer to the SAI and Application form for the instructions
Mode of Payment	Investors may make payments for subscription to the Units of the Scheme at the bank collection centres by local Cheque/Pay Order/Bank Draft, drawn on any bank branch, which is a member of Bankers Clearing House located in the official Point of acceptance of transactions where the application is lodged or by giving necessary debit mandate to their account or by any other mode permitted by the AMC Cheques/Pay Orders/Demand Drafts should be drawn as follows: • The Cheque/DD/Payorder should be drawn in favour of "IL&FS Infrastructure Debt Fund - Series 1-A" or "IL&FS Infrastructure Debt Fund - Series 1-B" or "IL&FS Infrastructure Debt Fund - Series 1-C" as mentioned in the application form/addendum at the time of the launch. Please note that all cheques/DDs/payorders should be crossed as "Account payee" • Centres other than the places where there are official point of acceptance of transactions as designated by the AMC from time to time, are Outstation Centres. Investors residing at outstation centres should send demand drafts drawn on any bank branch which is a member of Bankers Clearing House payable at any of the places where an official point of acceptance of transactions is located • Payments by cash, money orders, postal orders, stock invests and out-station and/or postdated cheques will not be accepted

Applications Supported by Blocked Amount (ASBA) facility	ASBA facility has been provided to the investors subscribing to the Scheme. It shall co-exist with the existing process, wherein cheques/demand drafts are used as a mode of payment. Detailed provision of such facility has been provided in SAI
Termination of the Scheme	The Trustees reserve the right to terminate the scheme at any time. Regulation 39(2) of the SEBI Regulations provides that any scheme of a mutual fund may be wound up after repaying the amount due to the Unit holders: (i) on the happening of any event which, in the opinion of the Trustees, requires the scheme to be wound up; or (ii) if 75% of the Unit holders of a scheme pass a resolution that the scheme be wound up; or (iii) if SEBI so directs in the interest of the unit holders Where a scheme is wound up under the above Regulation, the trustees shall give a notice disclosing the circumstances leading to the winding up of the scheme: (i) to SEBI; and (ii) in two daily newspapers having circulation all over India & a vernacular newspaper circulating at the place where the mutual fund is formed In case of termination of the Scheme regulation 41 of the SEBI (MF) Regulations shall apply. Further AMC has the option to prepay units prior to the defined maturity date of the scheme if the underlying investments are wholly redeemed prematurely subject to SEBI Regulations

B. PERIODIC DISCLOSURES

Net Asset Value This is the value per unit of the scheme on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance.	The NAV shall be calculated on a quarterly basis. The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and shall be subject to such regulations as may be prescribed by SEBI from time to time The NAVs of Growth Option and Dividend Option will be different after the declaration of the first dividend. NAV of the Scheme shall be updated on AMFI's website www.amfiindia.com and also be updated on the website of the Mutual Fund, www.ilfsinfrafund.com atleast once in a quarter In case of any delay, the reasons for such delay would be explained to AMFI and SEBI by the next day. If the NAVs are not available before commencement of business hours on the following day due to any reason, the Fund shall issue a press release providing reasons and explaining when the Fund would be able to publish the NAVs
Portfolio disclosures	The Mutual Fund shall publish a complete statement of the Scheme portfolio within one month from the close of each half year (i.e. 31st March and 30th September), by way of an advertisement at least, in one National English daily and one regional newspaper in the language of the region where the head office of the Mutual Fund is located The Mutual Fund may opt to send the portfolio to all Unit holders in lieu of the advertisement (if applicable)
Half Yearly Results	The Mutual Fund and the Asset Management Company shall within one month from the close of each half year, that is on 31st March and 30th September host a soft copy of its unaudited financial results on their website The Mutual Fund and Asset Management Company shall publish an advertisement disclosing the hosting of such financial results on their website, in at least one English daily newspaper having nationwide circulation and in a newspaper having wide circulation published in the language of the region where the Head Office of the Mutual Fund is situated
Annual Report	Scheme wise Annual Report or an abridged summary thereof shall be mailed to all Unit holders within four months from the date of closure of the relevant accounts year i.e. 31st March each year

Taxation The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the schemes.	As per Income-tax Act, 1961 (the Act) as amended by Finance Act, 2013 **Notes**: 1. Income distributed by mutual fund other than equity oriented mutual funds shall attract tax on distributed income under Section 115R of the Act at: • In case income is distributed to individuals and Hindu Undivided Family (HUF) : 14.1625% (inclusive of surcharge and education cess) for the period April 1, 2013 to May 31, 2013 and 28.325% (inclusive of surcharge and education cess) w.e.f. June 1, 2013 and; • In case income is distributed to persons other than Individual and HUF: 33.99% (inclusive of surcharge and education cess) • In case income is distributed to unit holders who are non-resident or Foreign Company: 5.665% (inclusive of surcharge and education cess) w.e.f. June 1, 2013 2. IL&FS Infrastructure Debt Fund is a fund registered with SEBI and as such is eligible for benefits under Section 10(23D) of the IT Act. Accordingly, its entire income would be exempt from tax 3. The tax rate applicable to the unit holder would depend on the category of unit holder i.e. individual, HUF, Company etc. (mentioned in detail in SAI) 4. Also, in case of resident individuals and HUFs where the total income as reduced by long-term capital gains, is below the basic exemption limit, the long-term capital gains will be reduced to the extent of the shortfall and only the balance long-term capital gains will be subjected to tax at the rate of 20 per cent or 10 per cent, as the case may be.Indexation benefit would be available to unit holder. Accordingly, long-term capital gains would be taxable at 20 per cent after considering indexation. However, where the unit holder proposes not to avail of the indexation benefit, long-term capital gains would be taxable at 10 percent 5. The tax rate mentioned in the table above would be increased by applicable surcharge, education cess and secondary & higher education cess 6. Since the scheme would not qualify as equity oriented mutual fund, no securities transaction tax is payable by unit holder on purchase, sale or redemption of units by Mutual Fund 7. The Trustee, AMC, Mutual Fund, their directors or their employees shall not be liable for any of the tax consequences that may arise, in the event that the Scheme is wound up for the reasons and in the manner provided in 'Statement of Additional Information ('SAI') **For further details on Taxation please refer to the Clause of Taxation in the SAI**
Jurisdiction	The jurisdiction for any matters or disputes arising out of the scheme shall reside with the Courts in India
Investor Services	For investor services, please contact the Investor Relations Officer as follows: Mr Amit Mainkar 7th Floor, The IL&FS Financial Services Centre, G-Block, Plot C-22, Bandra Kurla Complex, Bandra (East), Mumbai- 400 051 Phone Number : 91 22 2659 3959 Fax Number : 91 22 2653 3589 E-mail : investorgrievances.infrafund@ilfsindia.com

C. COMPUTATION OF NAV

The NAV of the Units of the Scheme will be computed by dividing the net assets of the Scheme by the number of Units outstanding as follows:

Market or Fair Value of Scheme's investments + Current Assets including Accrued Income - Current Liabilities and Provisions including accrued expenses
No of Units outstanding under Scheme on the Valuation Date

The Fund shall value its investments according to the valuation norms, as provided in the SAI which are based on the SEBI (MF) Regulations prescribed from time to time

The assets of the Fund may be valued by an independent valuer on "need basis" to be appointed by the AMC on quarterly basis. Such valuations will be reviewed by the Fund's auditors. The expenses connected with the valuations will be borne by the Fund. Further, all expenses and incomes accrued up to the valuation date shall be considered for computation of NAV. For this purpose, major expenses like management fees and other periodic expenses would be accrued on a day to day basis. The minor expenses and income will be accrued on a periodic basis, provided the non-daily accrual does not affect the NAV calculations by more than 1%

The NAV of the Scheme will be calculated upto four decimal places and will be declared at least once in a quarter. The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and shall be subject to such regulations as may be prescribed by SEBI from time to time

D. FEES AND EXPENSES

a. PLACEMENT EXPENSES

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

b. ANNUAL SCHEME RECURRING EXPENSES

These are the fees and expenses for operating the scheme. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as given in the table below:

For the actual current expenses being charged, the investor should refer to the website of the mutual fund

Particulars	**% of Net Assets**	
	Regular Plan (the name of the plan as applicable)	**Direct Plan (the name of the plan as applicable)**
Investment Management & Advisory Fee@	Upto 2.25	Upto 2.20
Marketing & Selling Expenses including Agents Commission pertaining to distribution of units and statutory advertisement		
Brokerage and transaction cost ^		
Registrar services for transfer of units sold or redeemed		
Fees and expenses of trustees		
Audit Fees		
Custodian fees		
Costs related to investor communication		
Costs of fund transfer from location to location		
Costs of providing account statements and dividend/redemption cheques and warrants		
Insurance premium paid by the fund		
Winding up costs for terminating a fund or a scheme		
Cost of statutory advertisements		
Listing fees		
Investor Awareness and Education Initiatives (At least 2 bps)		
Such other costs as may be approved by the Board		
Maximum Total Expense Ratio (TER) permissible under Regulation 52 (6) (c) (i) and (6) (a)	**2.25**	**2.20**

Particulars	% of Net Assets	
	Regular Plan (the name of the plan as applicable)	**Direct Plan (the name of the plan as applicable)**
Additional expenses under regulation 52 (6A) (c) **	Upto 0.20	Upto 0.20
Additional expenses for gross new inflows from specified cities***	Upto 0.30	–

@ The AMC shall not charge any investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks

The Direct Plan of the Scheme shall have a lower expense ratio excluding distribution expenses, commission etc. since no commission shall be paid from this plan

Commission/ Distribution expenses will not be charged in case of Direct Plan

**The AMC may charge additional expenses not exceeding 0.20% of daily net assets of the scheme incurred towards different heads of fees and expenses

***Additional expenses may be charged up to 30 basis points on daily net assets of the Scheme as per Regulation 52 of SEBI Regulations, if the new inflows from beyond top 15 cities are at least (a) 30% of gross new inflows in the Scheme or (b) 15% of the average assets under management (year to date) of the Scheme, whichever is higher

Provided that if inflows from such cities is less than the higher of (a) or (b) above, such additional expenses on daily net assets of the Scheme shall be charged on proportionate basis

Provided further that expenses charged under this clause shall be utilized for distribution expenses incurred for bringing inflows from such cities

Provided further that amount incurred as expense on account of inflows from such cities shall be credited back to the Scheme in case the said inflows are redeemed within a period of one year from the date of investment

^Brokerage and Transaction Cost:

Brokerage and transaction cost incurred for the purpose of execution of trade may be capitalized to the extent of 12basis points for cash market transactions. Any payment towards brokerage and transaction cost, over and above the said 12 basis points for cash market transactions may be charged to the scheme within the maximum limit of Total Expense Ratio (TER) as prescribed under regulation 52 of the SEBI (Mutual Funds) Regulations, 1996

The expenses stated above include investment management and advisory fee and other allowable expenses and shall be subject to the following percentage limit of daily net assets

(i) On the first ₹100/- crore of the daily net assets 2.25%;

(ii) On the next ₹ 300/- crore of the daily net assets 2.00%;

(iii) On the next ₹ 300/- crore of the daily net assets 1.75%;

(iv) On the balance of the assets 1.50%

Service Tax:

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

These estimates have been made in good faith as per information available to the AMC and the total expenses may be more than as specified in the table above. However, as per the Regulations, the total recurring expenses that can be charged to the Scheme in this Private Placement Memorandum shall be subject to the applicable guidelines. **Any expenditure in excess of the limits specified in Regulation 52(6) and 52(6A) (a) shall be borne by the Asset Management Company or Trustees or Sponsors**

IV RIGHTS OF UNITHOLDERS

Please refer to SAI for details

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

1. *Penalties and action(s) taken against foreign Sponsor(s) limited to the jurisdiction of the country where the principal activities (in terms of income/revenue) of the Sponsor(s) are carried out or where the headquarters of the Sponsor(s) is situated. Also, top 10 monetary penalties of foreign sponsor(s) during the last three years -* None
2. *In case of Indian Sponsor(s), details of all monetary penalties imposed and/ or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to shareholders or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall also are disclosed* - None
3. *Details of all enforcement actions(Including the details of violation, if any) taken by SEBI in the last three years and/ or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/ or suspension and/ or cancellation and/ or imposition of monetary penalty/adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company and/ or any of the directors and/ or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party* - None
4. *Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company and/ or any of the directors and/ or key personnel are a party -* None
5. *Any deficiency in the systems and operations of the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the PPM, or notified by any other regulatory agency* - None

Notwithstanding anything contained in this Private Placement Memorandum Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable

Note: The Private Placement Memorandum containing details of the schemes of IL&FS Mutual Fund (IDF), has been approved by the Board of IL&FS Infra Asset Management Limited (IIAML) on February 9, 2013 and by the Board of IL&FS AMC Trustee Limited (IATL) on April 25, 2013

GUIDELINES FOR EASY COMPLETION OF INVESTOR INFORMATION FORM

Dear Investor,

For ease of processing your application, the following guidelines have been prepared. These are for assisting you in completing the documentation and processing your application as soon as possible. Kindly ensure these guidelines are adhered to so as to enable us in completing, processing your application. This information is required under the Prevention of Money Laundering Act, 2002, the rules notified thereunder, SEBI's guidelines on 'Anti Money Laundering'. The Investment Manager/Trustee reserve the right to seek additional information/documentation in terms of anti money laundering laws, statutory and regulatory requirements at any point in time which the investor is obliged to provide

Name of Scheme	IL&FS Infrastructure Debt Fund - Series 1-A (IIDF-Series 1-A) IL&FS Infrastructure Debt Fund - Series 1-B (IIDF-Series 1-B) IL&FS Infrastructure Debt Fund - Series 1-C (IIDF-Series 1-C)
Documents	1. Investor Information Form 2. KYC Checklist
Investor Information	To be filled in BLOCK LETTERS IN ENGLISH. Form submitted without proper documents or improperly attested documents is liable to be rejected. Form should be filled in legible writing, any cancellation/corrections should be counter signed by the Investor(s)
Cheque Details	Cheque should be drawn in favour of **"IL&FS Infrastructure Debt Fund - Series 1-A"** or **"IL&FS Infrastructure Debt Fund - Series 1-B"** or **"IL&FS Infrastructure Debt Fund - Series 1-C"**. Please provide a cancelled cheque to facilitate ECS transfers
Guidelines for KYC Application Form	**General Guidelines:** • KYC Application as the format attached shall be submitted after duly filled in all column • Recent colour photograph of applicant shall be affixed and signed across the photograph • The applicant shall also sign the KYC application form in the relevant column • If there are more than one holder, the KYC application form shall be provided for all the holders with relevant documents • If any proof of identity or address is in a foreign language, then translation into English is required • Name & address of the applicant mentioned on the KYC form should match with the documentary proof submitted • If correspondence & permanent addresses are different, then proofs for both have to be submitted • Sole proprietor must make the application in his individual name & capacity • For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card and overseas address proof is mandatory • In case of Merchant Navy NRI's, Mariner's declaration or certified copy of CDC (Continuous Discharge Certificate) is to be submitted • Politically Exposed Persons (PEP) are defined as individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States or of Governments, Senior Politician, Senior Government/Judicial/Military Officers, Senior Executives of state owned corporations, import political party officials, etc. • In Person Verification (IPV) of the client needs to be carried by the below mentioned officials – the official carrying out the IPV should provide his name, designation, organization seal with his/her signature and date on the KYC Application Form **List of people authorized to perform In Person Verification (IPV):** • Authorised officials of Asset Management Companies (AMC) / Investment Managers • KYD compliant distributors • Manager of a Scheduled Commercial / Co-operative Bank or

	• Multinational Foreign Banks (for investors investing directly) • In case of NRIs, authorised officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy/Consulate general in the country where the client resides are permitted to do IPV All KYC documents shall be self attested by the applicant and shall also be attested with Original Seen Verified (OSV) certification
	List of people authorized to do Original Seen Verification (OSV): • Authorised officials of Assets Management Companies (AMC) / Investment Managers • KYD compliant distributors • Notary Public, Gazetted Officer, Manager of a Scheduled Commercial / Co-operative Bank or Multinational Foreign Banks (Name, Designation & Seal should be affixed on the copy). • In case of NRIs, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy / Consulate General in the country where the client resides are permitted to attest the documents • Government authorized officials who are empowered to issue Apostle Certificates **NON-INDIVIDUAL** Self Attested and OSV attested PAN copy of the Company/Firm/Trust/Society/HUF Proof of Address of the Company/Firm/Trust/Society/HUF **List of Documents Admissible as Proof of Address:** (*Documents having an expiry date should be valid on the date of submission) • Latest Land Line Telephone Bill • Latest Electricity Bill • Latest Bank Passbook / Bank Account Statement • Registered Lease / Sale Agreement of office premises • Proof of address issued by any of the following Bank Managers of Scheduled Commercial Bank / Scheduled Co-operative Bank / Multinational Foreign Bank's / Gazetted Officer / Notary public / Elected representatives of the Legislative Assembly or Parliament / Documents issued by any Government or Statutory Authority • For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and /or apostiled or consularised) that gives the registered address should be taken • Registration Certificate issued under Shops and Establishments Act Documents having an expiry date should not be more than three months old as on the date of submission of this form **Other KYC Documents to be provided:** **CORPORATE/COMPANY** • Copy of the balance sheets for the last 2 financial years (to be submitted every year) • Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the Company Secretary/Whole time Director/MD (to be submitted every year) • Photograph, POI, POA, PAN and DIN numbers of Whole time Directors / two directors in charge of day to day operations • Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly • Copies of the Memorandum and Articles of Association of certificate of Incorporation • Copy of the Board Resolution for investment in securities market • Authorised signatories list with specimen signatures

COLLECTING BANKER

The collecting banker of the Scheme/s or Series is HDFC Bank. The SEBI registration of the Collecting Banker is INBI00000063

HDFC Bank
Manekji Wadia Building, Ground Floor, Nanik Motwani Marg, Fort, Mumbai 400 001, India

The AMC reserves the right to appoint other qualified banks as collecting bankers from time to time

REGISTRAR

Computer Age Management Services Private Limited (CAMS) (SEBI Registration No. INR000002813)
158, Rayala Towers, 5th Floor, Anna Salai, Chennai 600 002

Phone No : 044 - 30212812 / 30212824

Email Id : enq_pe@camsonline.com

website : www.camsonline.com

 # Rating Summary & Disclaimer - India Ratings & Research

India Ratings & Research (Ind-Ra), in a new report, has outlined key consideration in rating the mutual fund (MF) schemes of infrastructure debt funds (IDFs), launched under the Securities and Exchange Board of India (SEBI) guidelines. Ind-Ra has assigned IL&FS Infrastructure Debt Fund's (IDF or the fund) initial three mutual fund schemes an "IND AAAidf-mf" rating. Considering that this is a new product in the Indian market and given objectives of the government-led initiative, the agency will, while using its long-term credit rating scale ('IND AAA' to 'IND C'), append an idf-mf suffix to assign ratings to IDF schemes. The ratings are an opinion regarding the strength of the credit protection factors embedded in the fund's investment policies, expertise and experience of the sponsors and investment managers and vulnerability to losses and prospects of ultimate recovery as a result of defaults in the fund portfolio. The ratings, however, do not measure the expectation of default risk for the scheme itself, as a fund/scheme generally cannot default

In assigning ratings to individual schemes, Ind-Ra has assessed a number of factors including the underlying credit quality of the investment portfolio, experience and expertise of the sponsor and the asset management company, sponsor commitment to the scheme and robustness of the investment identification, evaluation and risk management processes and systems employed

Ind-Ra recognises that the IDF concept has been evolved by the Government of India (GoI) to augment the supply of much-needed long-term capital for meeting India's ambitious infrastructure development programme. GoI has actively facilitated the creation of a regulatory framework and establishment of an enabling environment

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer

For additional information on ratings, please visit www.indiaratings.co.in

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Rating Summary & Disclaimer- CARE

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

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

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

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