

## STATEMENT OF ADDITIONAL INFORMATION (SAI)

This Statement of Additional Information (SAI) contains details of Taurus Mutual Fund, its constitution, and certain tax, legal and general information. It is legally a part of Scheme Information Document).

This SAI is dated July 30, 2008.

### I. INFORMATION ABOUT SPONSOR, AMC AND TRUSTEE COMPANIES

#### A. Constitution of the Mutual Fund

Taurus Mutual Fund has been constituted as a Trust on August 20, 1993 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). HB Portfolio Limited is the present Sponsor of the Fund with Taurus Investment Trust Company Limited as the Trustee. The Trust Deed has been registered under the Indian Registration Act, 1908. The Mutual Fund was registered with SEBI on September 21, 1993 under Registration Code No. MF/002/93.

#### B. Sponsor

HB Portfolio Limited is the present Sponsor the Fund. The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs.2 Lacs to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

#### Activities of the Sponsor

HBPL had moved an application to Reserve Bank of India to commence and carry on the business of Non Banking Financial Company (NBFC). The matter is under correspondence and approval is awaited.

Financial Performance of the Sponsor (past three years):

Particulars	(Rs. In Lacs)		
	2007-08	2006-07	2005-06
Net Worth	10094.02	8570.99	7531.53
Total Income	1958.34	1547.46	1175.36
Profit after tax	1595.66	1295.51	1082.13
Assets Under Management (if Applicable)	N.A	N.A	N.A

#### C. The Trustee

Taurus Investment Trust Company Limited through its Board of Directors, shall discharge its obligations as trustee of the Taurus Mutual Fund. The Trustee ensures that the transactions entered into by the AMC are in accordance with the SEBI Regulations and will also review the activities carried on by the AMC.

#### Details of Trustees:-

S.No.	Name of Director	Age/ Qualification	Brief Experience
1.	Mr. K.N. Goyal	65/ Chartered Accountant	Mr. K N Goyal is a fellow member of ICAI and is a Practicing Chartered Accountant.
2.	Mr. Harbhajan Singh	67/, MA (Economics), LLB and CAIIB	Mr. Harbhajan Singh has served in the Banking field and has also been former Chairman & Mg. Director, Allahabad Bank. He is having Directorship on the Board of various companies.
3.	Mr. H C Bhasin	68/ B.Com (Hons.)	Mr. Harish Bhasin is having experience in Stock Market, syndication of funds/loans, mergers and acquisition and merchant banking. He has also served as the

			President of Delhi Stock Exchange Association Ltd. He is having Directorship on the Board of various Companies.
4.	Mr. K N Malhotra	82/ B.A.	Mr. K N Malhotra has served in the field of Insurance. He has also served as the Chairman-cum-Managing Director of Oriental Insurance Co. Ltd. He is having Directorship on the Board of various Companies.
5.	Mr.Lalit Malhotra	63/ B.A.	Mr. Lalit Malhotra is an Hotelier and is having Directorship on the Board of various companies.
6.	Mr. G N Tandon	74/ M.A. (Economics), USA	Mr. G N Tandon has served in the Govt. Sector in the capacity of Additional Secretary to the Ministry of Finance, as an Advisor (Energy & Project Appraisal Div.) to Planning Commission, Member of Delhi State Finance Commission. He is having Directorship on the Board of various Companies.

*Mr. H C Bhasin and Mr. K N Malhotra are Sponsor Directors*

#### **RIGHTS AND OBLIGATIONS OF THE TRUSTEES**

The rights and obligations of the Trustees as laid down in SEBI (Mutual Funds) Regulations, 1996 and amendments issued from time to time are as follows:

1. The trustees and the asset management company shall with the prior approval of the Board enter into an investment management agreement.
2. The investment management agreement shall contain such clauses as are mentioned in the Fourth Schedule and such other clauses as are necessary for the purpose of making investments.
3. The trustees shall have a right to obtain from the asset management company such information as is considered necessary by the trustees.
4. The trustees shall ensure before the launch of any scheme that the asset management company has:-
  - a) systems in place for its back office, dealing room and accounting:
  - b) appointed all key personnel including fund manager(s) for the scheme(s) and submitted their bio-data which shall contain the educational qualifications, past experience in the securities market with the trustees, within 15 days of their appointment:
  - c) appointed auditors to audit its accounts:
  - d) appointed a compliance officer, who shall be responsible for monitoring the Compliance of the Act, rules and regulations, notifications, guidelines, instructions etc. issued by the Board or the Central Government and for redressal of investor grievances:
  - e) appointed registrars and laid down parameters for supervision:
  - f) prepared a compliance manual and designed internal control mechanisms including internal audit systems:
  - g) specified norms for empanelment of brokers and marketing agents.

5. The trustees shall ensure that an asset management company has been diligent in empanelling the brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with any broker.
6. The trustees shall ensure that the asset management company has not given any undue or unfair advantage to any associates or dealt with any of the associates of the asset management company in any manner detrimental to interest of the unitholders.
7. The trustees shall ensure that the transactions entered into by the asset management company are in accordance with these regulations and the scheme.
8. The trustees shall ensure that the asset management company has been managing the mutual fund schemes independently of other activities and have taken adequate steps to ensure that the interest of investors of one scheme are not being compromised with those of any other scheme or of other activities of the asset management company.
9. The trustees shall ensure that all the activities of the asset management company are in accordance with the provisions of these regulations.
10. Where the trustees have reason to believe that the conduct of business of the mutual fund is not in accordance with these regulations and the scheme they shall forthwith take such remedial steps as are necessary by them and shall immediately inform the Board of the violation and the action taken by them.
11. Each trustee shall file the details of his transactions of dealing in securities with the Mutual Fund on a quarterly basis.
12. The trustees shall be accountable for, and be the custodian of, the funds and property of the respective schemes and shall hold the same in trust for the benefit of the unit holders in accordance with these regulations and the provisions of trust deed.
13. The trustees shall take steps to ensure that the transactions of the mutual fund are in accordance with the provisions of the trust deed.
14. The trustees shall be responsible for the calculation of any income due to be paid to the mutual fund and also of any income received in the mutual fund for the holders of the units of any scheme in accordance with these regulations and the trust deed.
15. The trustees shall obtain the consent of the unitholders -
  - a) whenever required to do so by the Board in the interest of the unitholders: or
  - b) whenever required to do so on the requisition made by three-fourths of the unit holders of any scheme: or
  - c) when the majority of the trustees decide to wind up or prematurely redeem the units: or
16. The trustees shall ensure that no change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme and affects the interest of unitholders, shall be carried out unless:-
  - a) a written communication about the proposed change is sent to each unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the mutual fund is situated; and
  - b) the unitholders are given an option to exit at the prevailing Net Asset Value without any exit load.”

17. The trustees shall call for the details of transactions in securities by the key personnel of the asset management company in his own name or on behalf of the asset management company and shall report to the Board, as and when required.
18. The trustees shall quarterly review all transactions carried out between the mutual funds, asset management company and its associates.
19. The trustees shall quarterly review the networth of the asset management company and in case of any shortfall, ensure that the asset management company make up for the shortfall as per clause (f) of sub-regulation (1) of regulation 21.
20. The trustees shall periodically review all service contracts such as custody arrangements, transfer agency of the securities and satisfy itself that such contracts are executed in the interest of the unitholders.
21. The trustees shall ensure that there is no conflict of interest between the manner of deployment of its networth by the asset management company and the interest of the unitholders.
22. The trustees shall periodically review the investor complaints received and the redressal of the same by the asset management company.
23. The trustees shall abide by the Code of Conduct as specified in the Fifth Schedule.
24. The trustees shall furnish the following to the SEBI on a half yearly basis:-
  - a) a report on the activities of the mutual fund.
  - b) a certificate stating that the trustees have satisfied themselves that there have been no instances of self dealing or front running by any of the trustees, directors and key personnel of the asset management company:
  - c) a certificate to the effect that the asset management company has been managing the schemes independently of any other activities and incase any activities of the nature referred to in sub-regulation (2) of regulation 24 have been undertaken by the asset management company and has taken adequate steps to ensure that the interest of the unitholders are protected.
25. The independent trustees referred to in sub-regulation (5) of regulation 16 shall give their comments on the report received from the asset management company regarding the investments by the mutual fund in the securities of group companies of the sponsor.
26. Trustees shall exercise due diligence as under:

**General Due Diligence**

- i) The Trustees shall be discerning in the appointment of the directors on the Board of the asset management company.
- ii) Trustees shall review the desirability of continuance of the asset management company if substantial irregularities are observed in any of the schemes and shall not allow the asset management company to float new schemes.
- iii) The trustees shall ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons.
- iv) The trustee shall ensure that all service providers are holding appropriate registrations from the Board or concerned regulatory authority.

- v) The trustees shall arrange for test checks of service contracts.
- vi) Trustees shall immediately report to the SEBI of any special developments in the mutual fund.

### **Specific Due Diligence**

The Trustees shall:

- i. Obtain internal audit reports at regular intervals from independent auditors appointed by the Trustees.
  - ii. Obtain compliance certificates at regular intervals from the asset management company
  - iii. Hold meeting of trustees once in two calendar months and atleast six such meetings shall be held in every year.
  - iv. Consider the reports of the independent auditor and compliance reports of asset management company at the meetings of trustees for appropriate action.
  - v. Maintain records of the decisions of the Trustees at their meetings and of the minutes of the meetings.
  - vi. Prescribe and adhere to a code of ethics by the Trustees, asset management company and its personnel.
  - vi. Communicate in writing to the asset management company of the deficiencies and checking on the rectification of deficiencies.
27. Notwithstanding anything contained in sub-regulations (1) to (25), the trustees shall not be held liable for acts done in good faith if they have exercised adequate due diligence honestly.
28. The independent directors of the trustees or asset management company shall pay specific attention to the following, as may be applicable, namely:
- i. the Investment Management Agreement and the compensation paid under the agreement.
  - ii. Service contract with affiliates – whether the asset management company has charged higher fees than outside contractors for the same services.
  - iii. Selection of the asset management company's independent directors.
  - iv. Securities transactions involving affiliates to the extent such transactions are permitted.
  - v. Selecting and nominating individuals to fill independent directors vacancies.
  - vi. Code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions.
  - vii. The reasonableness of fees paid to sponsors, asset management company and any others for services provided.
  - viii. Principal underwriting contracts and their renewals.
  - ix. Any service contract with the associates of the asset management company.

### Amendments to the Trust Deed

No amendments to the Trust Deed shall be carried out without the prior approval of SEBI and unitholders approvals would be obtained where it affects the interest of unitholder.

Besides the above, quarterly compliance reports, which are submitted to SEBI by TAMCO are also placed before the Board of Trustees. Internal Audit Report is placed before the Audit Committee of Board of Trustees, which submit their views / opinion to the Board of Trustees. Similarly, periodic declaration by staff and Directors of TAMCO are also placed before the Board of Trustees to ascertain that there have been no instances of self-dealing or front running. Board of Trustees meeting is also held every two months and during the period from June 01, 2007 to May 31, 2008 six meetings of the Board of Trustees have been held.

## Supervisory Role

Board of Trustees monitors the activities of TAMCO, the Asset Management Company on an on-going basis for which number of checks and balances have been introduced. Accordingly, TAMCO, submits periodic MIS information to the Board of Trustees, which interalia includes;

1. Movement in net assets and calculation of NAV.
2. Balance sheet and Revenue & Expenditure account.
3. Industry wise exposure in each scheme.
4. Details of investment in Associate/Group companies (*alongwith justification*).
5. Investment in shares of those corporates, who have invested more than 5% of the Net Asset Value of a scheme.
6. Detailed portfolio of each scheme.
7. Broker-wise transaction.

Besides the above, quarterly compliance reports, which are submitted to SEBI by TAMCO are also placed before the Board of Trustees. Trustees have appointed separate Audit Firm to undertake internal audit of all the schemes of the Fund and submit their quarterly report to them. Trustees have also appointed another Audit Firm to check and audit the operation of R&T Agents and submit their report on half-yearly basis. Therefore, Internal Audit Reports are placed before the Audit Committee of Board of Trustees, which submit their views / opinion to the Board of Trustees. Similarly, periodic declaration by staff and Directors of TAMCO are also placed before the Board of Trustees to ascertain that there have been no instances of self-dealing or front running. Board of Trustees meeting is also held every two months and during the period from July 01, 2007 to June 30, 2008, six meetings of the Board of Trustees have been held.

## D. Asset Management Company

Taurus Asset Management Company Limited (TAMCO) is a public limited company incorporated under the Companies Act, 1956 on July 27, 1993, having its Registered Office at 305, Regent Chambers, 208, Jamnalal Bajaj Marg, Nariman Point, Mumbai - 400 021. TAMCO has been appointed as the Asset Management Company of the Taurus Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated August 20, 1993 executed between Taurus Investment Trust Company Limited and Taurus Asset Management Company Limited

## Shareholding pattern of Asset Management Company

Names of Holders	No. of Shares	% of Holding
HB Portfolio Ltd.	62,75,000	50.00%
RRB Securities Ltd.	37,49,940	29.88%
HB Stockholding Ltd. and its nominees	25,25,000	20.12%
Others	60	0.00%
<b>TOTAL</b>	<b>1,25,50,000</b>	<b>100.00</b>

## Details of AMC Directors:

S.No.	Name of Director	Age/Qualification	Brief Experience
1.	Sh. J. P. Kundra Chairman	77/ B.A. & LLB	Mr. J P Kundra is having wide experience in the Banking Sector and has served in the capacity of Managing Director of State Bank of India and Chairman of Banking Services Recruitment Board. He is having Directorship on the Board of various Companies.

2.	Sh. P. Murari	74/M A (Economics)	Mr. P Murari is a Retired IAS Officer & Former Secretary Govt. of India & Advisor to FICCI. He is having Directorship on the Board of various Companies.
3.	Sh. M.G. Gupta	74/ M.Sc.	Mr. M G Gupta is from the Indian Audit and Accounts Service – 1961 batch. He has served in Finance Section of the Govt. at various prestigious posts. He retired as Additional Controller General of Accounts (in the rank of Additional Secretary to the Govt. of India). He is having Directorship on the Board of various Companies.
4.	Sh. Lalit Bhasin	40/B.Com	Mr. Lalit Bhasin is having wide experience in the Capital Market and having Directorship on the Board of various Companies.
5.	Maharaj Jai Singh	75/ B.A from Cambridge University, U.K	Maharaj Jai Singh belongs to the Royal family of Jaipur and is an Hotelier. He is having Directorship on the Board of various Companies.
6.	Mr. Vijay Sood	50/ MBA (Fin.) from IIM, Ahmedabad, ICWA from ICWAI. Advance Management Program from Wharton Business School, Philadelphia, PA	Mr. Vijay Sood is having about 28 years of experience in the field of Banking and Capital Market. He is also a director on the Board of HB Stockholdings Ltd.
7.	Mr. R .K Gupta Managing Director	61/Post Graduate Diploma in Sugar Technology	Mr. R K Gupta is having very rich experience in the field of Banking & Finance and the Mutual Fund industry in particular. He had also served as the Managing Director of PNB Mutual Fund.

#### **The duties and obligations of Taurus Asset Management Company Limited**

1. The asset management company shall take all reasonable steps and exercise due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of these regulations and the trust deed.
2. The asset management company shall exercise due diligence and care in all its investments decisions as would be exercised by other persons engaged in the same business.
3. The asset management company shall be responsible for the acts of commissions or omissions by its employees or their persons whose services have been procured by the asset management company.
4. The asset management company shall submit to the trustees quarterly reports of each year on its activities and the compliance with these regulations.

5. The trustees at the request of the asset management company may terminate the assignment of the asset management company at any time; Provided that such termination shall become effective only after the trustees have accepted the termination of assignment and communicated their decision in writing to the asset management company.
6. Notwithstanding anything contained in any contract or agreement or termination, the asset management company or its directors or other officers shall not be absolved of liability to the mutual fund for their acts of commission or omissions, while holding such position or office.
  - a) The Managing Director of the AMC shall ensure that the Fund complies with all the provisions of the SEBI Regulations and the guidelines or circulars issued in relation thereto from time to time and that the investments made by the Fund Managers are in the interest of the Unitholders and shall also be responsible for the overall risk management function of the Fund.
  - b) The Fund Manager shall ensure that the funds of the Scheme are invested to achieve the objectives of the Scheme and are in the interest of the Unitholders.
7.
  - a) An asset management company shall not through any broker associated with the sponsor, purchase or sell securities, which is average of 5% or more of the aggregate purchases and sale of securities made by the mutual fund in all its schemes. Provided that for the purpose of this sub-regulation, aggregate purchase and sale of securities shall exclude sale and distribution of units issued by the mutual fund. Provided further that the aforesaid limit of 5% shall apply for a block of any three months
  - b) An asset management company shall not purchase or sell securities through any broker [ other than a broker referred to in clause (a) of sub-regulation (7)] which is average of 5% or more of the aggregate purchases and sale of securities made by the mutual fund in all its schemes, unless the asset management company has recorded in writing the justification for exceeding the limit of 5% and reports of all such investments are sent to the trustees on a quarterly basis. Provided that the aforesaid limit shall apply for a block of three months.
8. An asset management company shall not utilize the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities. Provided that an asset management company may utilize such services if disclosure to that effect is made to the unit holders and the brokerage or commission paid is also disclosed in the half yearly annual accounts of the mutual fund.

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

  - a) any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities of associate companies.
  - b) Devolvement, if any;
  - c) Subscription by the schemes in the issues lead managed by associate companies.
  - d) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager.
9. The asset management company shall file with the trustees the details of transactions in securities by the key personnel of the asset management company in their own name or on behalf of the asset management company and shall also report to the Board, as and when required by the Board.
10. In case the asset management company enters into any securities transactions with any of its associates a report to that effect shall be sent to the trustees at its next meeting.

11. In case any company has invested more than 5 per cent of the net asset value of a scheme, the investment made by that scheme or by any other scheme of the same mutual fund in that company or its subsidiaries shall be brought to the notice of the trustees by the asset management company and be disclosed in the half yearly and annual accounts of the respective schemes with justification for such investment provided the latter investment has been made within one year of the date of the former investment calculated on either side.
12. The asset management company shall file with the trustees and the SEBI :- (a) detailed bio-data of all its directors alongwith their interest in other companies within fifteen days of their appointment ;and (b) any change in the interests of directors every six months.(c) a quarterly report to the trustees giving details and adequate justification about the purchase and sale of the securities of the group companies of the sponsor or the asset management company as the case may be, by the mutual fund during the said quarter."
13. Each director of the asset management company shall file the details of his transactions of dealing in securities with the Trustees on a quarterly basis in accordance with the guidelines issued by the SEBI.
14. The asset management company shall not appoint any person as key personnel who has been found guilty of any economic offense or involved in violation of securities laws.
15. The asset management company shall appoint registrars and share transfer agents who are registered with the SEBI. Provided if the work relating to the transfer of units is processed in-house, the charges at competitive market rates may be debited to the scheme and for rates higher than the competitive market rates, prior approval of the trustees shall be obtained and reasons for charging higher rates shall be disclosed in the annual accounts.
16. The asset management company shall abide by the Code of Conduct as specified in the Fifth Schedule.

Taurus Asset Management Co. Ltd. has received licence from SEBI vide Registration No. INP000001439 to start Portfolio Management Services but has not started operations as yet. The said activities will not be in conflict with the activities of the Mutual Fund.

**Information on Key Personnel**

<b>S.No.</b>	<b>Name</b>	<b>Age/Qualification</b>	<b>Brief Experience</b>
1.	Mr. R K Gupta, MD/ Fund Manager	60/ B.Sc. Post Graduate Diploma in Sugar Technology	More than 10 years with Taurus Mutual Fund in the capacity as CEO and MD. Earlier he was Managing Director of PNB Mutual Fund before joining this group. His total experience is 40 years.
2.	Mr. Waqar Naqvi, CEO	40/ B.Com, MBA, ICWAI	He has 6 years experience in mutual fund industry. He was earlier Business Head for PMS and offshore sales in Birla AMC. Prior to Birla AMC, he was Regional Head (East) in Birla Global Finance Ltd., Country Head- Sales & Marketing, Triedge Business Solution Ltd. and Associate Vice President Escorts Consumer Credit Ltd. and Assistant Vice President in Escorts Finance Ltd. His total experience is 16 years.

3.	Mr. Sanjay Parikh, COO	37/B.Com, CA, CFA	He was earlier Chief Finance Officer, Birla Sunlife AMC and Head-Product Management & Accounting Service in Birla Sunlife Insurance Co. Ltd., Manager, Central Cell, Aditya Birla Group and Sr. Consultant – Tax & Business Advisory in Arthur Anderson & Company. His total experience is 17 years.
4.	Mr. C M Mathur Executive Vice President	60/ B.Com (Hons.) CAIIB	9 years with Taurus Mutual Fund. 5 years in Merchant Banking with HB-Portfolio Limited. Earlier with Unit Trust of India as Deputy General Manager handling stock market operations, marketing, management of schemes etc. His total experience is 40 years.
5.	Ms. Deepa Varshnei Executive Vice President	46/ B.Com (Hons.) CAIIB	More than 7 years with Taurus Mutual Fund. Earlier with PNB and PNB Mutual Fund handling accounts and audit. Her total experience is 24 years.
6.	Mr. Nitish Ojha Fund Manager	36/ B.Com, MBA	2years with Taurus Mutual Fund. One year as senior Investment Analyst with Americorp Capital (FII Hedge Fund) . 1 year as consultant for Angel broking Pvt. Ltd. and Dewan Housing Finance Ltd. Three Year as Equity Analyst with SBI Capital Market Ltd.. One Year as consultant, Oza Financial Services, San Jose, USA. One Year ten months as equity Analyst with VLS Finance Ltd.
7.	Mr. Amit Gupta Vice President & Country Head – Retail Sales	33/ B.Com, MBA	He has 9 years experience in mutual fund industry. In Birla Sunlife AMC, he has worked as Zonal Head, South Bangalore, Regional Manager (Institutional Sales), Rest of Maharashtra & Gujarat, Pune, Head-Rest of Maharashtra (Ex-Mumbai), Pune, Head-CP, Lucknow, Center Head, Kanpur, Relationship Manager, Lucknow. His total experience is 10 years.
8.	Mr. V Sasidhar Country Head – Customer Service	42/M.Com	He has 13 years experience in mutual fund industry. He has worked with Birla Sunlife Asset Management Co. Ltd., GIC Asset Management Co. Ltd., Lloyds Finance Co. Ltd., 20 <sup>th</sup> Century Finance Corp. Ltd. etc. in various capacities & areas of operations and customer services. His total experience is 20 years.
9.	Ms. Sangeeta Verma Compliance Officer	33/ B.Com, CS, MBA (Fin.)	More than 4 years with Taurus Mutual Fund. Earlier Company Secretary with HOPE Technology Ltd. for 3 yrs. & Proprietor of SV Associates for 1year. Her total experience is 8 years.

#### **Procedure followed for investment decisions**

Before making any fresh investment through primary market or secondary market, the research team prepares a detailed Research Report on each investment based on the fundamental as well as the technical analysis. The Board of Trustees in terms of SEBI's guidelines has approved the format of Research Report. The companies are identified for investment based on top down/bottom up approach as well as indepth market analysis. Thereafter, the Research Report is discussed amongst the Investment Sub-committee members comprising of the Fund Manager/ Managing Director, CEO, COO and the equity research officials. The investment sub-committee works out investment / disinvestments strategy on daily basis and take the decision to buy or sell depending upon the market conditions,

investment / redemption flows and other external factors. The reasons for subsequent purchase and sale of the same instrument are also being recorded.

Details of total sales and purchase during the week are regularly submitted to the Directors of the Asset Management Company to have their feedback, if any.

The Board of TAMCO has also constituted an Investment Committee comprising of three Independent Directors, one Sponsor Director as well as Managing Director of the Company. Investment Committee Meeting is held every month and reviews Investments/disinvestments made since last meeting, Research Reports etc.

#### Persons Involved in Equity Research

S.No.	Name	Age/Qualification	Brief Experience
1.	Ms. Nisha Manjari	26/B.Sc., Masters in Finance & Control	Above 3 years experience in Indian Capital Markets.
2.	Mr. Harshvardhar Arora	27/ B.Sc., MBA	Above 4 years experience in Indian Capital Markets.
3.	Mr. Gurdeep Aggarwal	25/B.Com(Hon.), MBA	Above 2.5 years experience in Indian Capital Markets.

#### E. Service Providers

##### Custodian

Name	Address	SEBI Registration No.
HDFC Bank Limited	Trade World "A" Wing, Gr. Floor Kamla Mills Compound, Senapati Bapat Marg, Lower Parel (West), Mumbai – 400013	IN/CUS/001
Citi Bank N.A	Ramnord House 77, DR Annie Besant Road Worli, Mumbai – 400 018	IN/CUS/004

##### Transfer Agent

Karvy Computershare Pvt. Limited is the Registrar & Transfer Agent and Dividend paying agent of the scheme. It's principal business address is:

##### Karvy Computershare Private Ltd.

21, Avenue, 4, Street No. 1,  
Banjara Hills,  
Hyderabad -500034

The Board of the Trustees and the AMC has ensured that the Registrar has adequate capacity to discharge responsibilities with regard to processing of applications and dispatching unit certificates to unitholders within the time limit prescribed in the Regulations and also has sufficient capacity to handle investor complaints. It is registered with SEBI as Registrar and Transfer Agent vide Registration No. INR 000000 221.

#### STATUTORY AUDITORS

##### Schemes

Name & Address	Schemes
M/s. P Bholusaria & Co., 26/11, Shakti Nagar New Delhi – 110 007	Libra Tax Shield, Bonanza Exclusive Growth Scheme – Open, Taurus Liquid Fund and Taurus INFRA-TIPS
M/s N M Rajji & Co., E-7/14, Vasant Vihar New Delhi – 110 057	Taurus the Starshare, Discovery Stock Fund, Libra Bond Fund and Libra Gilt Fund

**Auditors to the Asset Management Company**

**Auditors to the Trustee Company**

M/s. Walker Chandio & Co.  
L-41, Connaught Circus  
New Delhi – 110 001

M/s N M Rajji & Co.  
E-7/14, Vasant Vihar  
New Delhi – 110 057

### Legal Counsel

International Law Group  
F-42, East of Kailash  
New Delhi-110 065

### Fund Accountant

Presently the Fund Accounting is done in-house. It is however, proposed to outsource the fund accounting. The Fund Accountant provides fund accounting, NAV calculation and other related services in accordance with the Funds Administration Services Agreement. The Fund Accountant is entitled to remuneration for its services in accordance with the terms of Funds Administration Services Agreement and such remuneration will be borne by the AMC and not by the Unitholders of the Scheme. The AMC has the right to change the fund accountant in certain circumstances.

### Collection Bankers

The names and addresses of the collection bankers will be available in the Scheme Information Document and Key Information Memorandum as and when any new scheme is launched.

### F. Condensed financial information (CFI)

CFI in respect of schemes during the last three fiscal years is as under:-

Historical Per Unit Statistics	Taurus the Starshare			Discovery Stock Fund		
	2007-08	2006-07	2005-06	2007-08	2006-07	2005-06
NAV at the Beginning (as on 1st Apr)	37.28	34.17	18.86	14.50	15.52	9.53
Dividends	-	-	-	-	-	-
NAV at the end of Year (as on 31 March)	51.94	37.28	34.17	21.25	14.50	15.52
<b>Annualised Return</b>	<b>39.32%</b>	<b>9.10%</b>	<b>81.18%</b>	<b>46.55%</b>	<b>-6.57%</b>	<b>62.75%</b>
Net Assets at the end of Period (Rs.in Crs)	196.80	146.44	154.91	40.66	21.35	25.51
Ratio of Recurring Exp to Net Assets	1.87%	2.40%	1.84%	2.50%	2.50%	2.50%

Historical Per Unit Statistics	Bonanza Exclusive Growth			Libra Tax Shield		
	2007-08	2006-07	2005-06	2007-08	2006-07	2005-06
NAV at the Beginning (as on 1st Apr)	32.27	35.61	18.26	15.80	18.64	15.62
Dividends	-	-	-	-	-	-
NAV at the end of Year (as on 31 March)	44.32	32.27	35.61	24.05	15.80	18.64
Annualised Return	26.93%	-1.49%	95.02%	52.22%	-15.24%	41.93%
Net Assets at the end of Period (Rs.in Crs)	44.33	40.86	46.18	12.11	4.37	5.40
Ratio of Recurring Exp to Net Assets	1.67%	2.26%	1.83%	2.50%	2.00%	2.50%

Historical Per Unit Statistics	Libra Bond Fund			Libra Gilt Fund		
	2007-08	2006-07	2005-06	2007-08	2006-7	2005-06
NAV at the Beginning (as on 1 <sup>st</sup> Apr)	14.2309	13.2356	13.3979	2.8761	12.5445	12.9451
Dividends	-	-	-	-	-	-
NAV at the end of Year (as on 31 March)	14.7965	14.2309	13.2356	13.4091	12.8761	12.5445
Annualised Return	4.02%	7.54%	-1.21%	4.19%	2.64%	<b>-3.09%</b>
Net Assets at the end of Period (Rs. in Crs)	5.43	2.08	0.20	0.08	1.83	0.01

Ratio of Recurring Exp to Net Assets	0.88%	1.13%	1.46%	1.09%	1.43%	1.81%
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Historical Per Unit Statistics	Taurus Liquid Fund #		Taurus INFRA-TIPS	
	2006-07	2007-08	2006-07	2007-08
NAV at the beginning (as on April 1)	-	10.07	-	10.3472
Dividends*	-	-	-	-
NAV at the end of year (as on March 31)	10.3472	11.57	10.07	10.9581
Annualised return**	10.42%	14.86%	9.83%	5.90%
Net Assets end of period (Rs. in Rs.)	17.56	17.57	4.62	1.62
Ratio of Recurring Expenses to Net Assets	0.60%	1.71%	1.85%	0.57%

**Taurus Liquid Fund**

\* Dividend details of Liquid Fund-Dividend Option excluded

\*\* Only for growth option. Annualised return under Dividend option has not been shown as dividend is declared on a weekly basis every Friday which results in fall in the NAV every week.

# The scheme was launched in August 2006

Taurus INFRA-TIPS was launched in February/March 2007. No dividend has been declared in the scheme since inception. Hence, both growth and dividend NAVs are the same

**II. HOW TO APPLY?**

Application Forms for Purchase of Units of the Schemes will be available at the Investor Service Centres and Distributors. As and when any new scheme is launched, application forms are also available with Collecting Bankers whose details are given in the Scheme Information Document and Key Information Memorandum cum Applicable Form. Applications duly filled up and signed by all investor(s) should be submitted along with the cheque/draft to a Designated Collection Centre.

Applications should be made in adherence to the minimum amount requirements.

It is mandatory for every applicant to provide the name of the bank, branch, address, account type and number as per SEBI requirements and any Application Form without these details will be treated as incomplete. Such incomplete applications are liable to be rejected. The Registrar/AMC may also ask the investor to provide a blank cancelled cheque for the purpose of verifying the bank account number.

In accordance with SEBI circulars dated on April 27, 2007 and June 25, 2007, with effect from July 02, 2007, PAN issued by the Income Tax authorities is used as the sole identification number for all investors transacting in the securities market including mutual funds, irrespective of the amount of transaction. Thus, all investors (including resident and non-resident investors) have to provide PAN, along with a certified copy of the PAN card for all transactions in Units of the Schemes irrespective of the amount of transaction. In case of investors who do not provide a certified copy of the PAN card, the application for purchase of units of the Scheme of the Fund could be rejected.

**III. RIGHTS OF UNITHOLDERS OF THE SCHEME**

1. Unit holders of the Scheme have a proportionate right in the beneficial ownership of the assets of the Scheme.
2. When the Mutual Fund declares a dividend under the Scheme, the dividend warrants shall be despatched within 30 days of the declaration of the dividend.
3. The Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request.
4. The Trustee is bound to make such disclosures to the Unit holders as are essential in order to keep the unitholders informed about any information known to the Trustee which may have a material impact on their investments.

5. The appointment of the AMC for the Mutual Fund can be terminated by majority of the Trustees or by 75% of the Unit holders of the Scheme.
6. 75% of the Unit holders of a Scheme can pass a resolution to wind- up a Scheme.
7. The Trustee shall obtain the consent of the Unit holders:
  - whenever required to do so by SEBI, in the interest of the Unit holders.
  - whenever required to do so if a requisition is made by three- fourths of the Unit holders of the Scheme.
  - when the Trustee decides to wind up the Scheme or prematurely redeem the Units.
  - The Trustee shall ensure that no change in the fundamental attributes of any Scheme or the trust or fees and expenses payable or any other change which would modify the Scheme and affects the interest of Unit holders, shall be carried out unless :
    - (i) a written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
    - (ii) the Unit holders are given an option to exit at the prevailing Net Asset Value without any Exit Load.
8. In specific circumstances, where the approval of unitholders is sought on any matter, the same shall be obtained by way of a postal ballot or such other means as may be approved by SEBI.

### **General Disclosures**

- **Suspension of Purchase and/or Redemption of Units**

The purchase and / or redemption of Units may be suspended or restricted under any schemes of the Mutual Fund only after the approval from Board of TAMCO and the Board of Trustees when any of the following conditions exist at one/more Designated Investor Service Centres:

- The stock market stops functioning or trading is restricted
- Periods of extreme volatility in the stock market, fixed income or money market, which, in the opinion of the Investment Manager, are prejudicial or detrimental to the interest of the investors
- Natural calamity
- For any bulk processing like dividend, mergers, etc.
- If banks do not carry-out any of the normal banking activities at one or more Designated Investor Service Centres
- SEBI, by order, so directs.

Such decision of the respective Board alongwith the circumstances and justification shall also be informed to SEBI in advance.

The normal time taken to process redemption and/ or purchase requests, as mentioned earlier, may not be applicable during such extraordinary circumstances.

An order / request to purchase Units is not binding on and may be rejected by the Trustees, the AMC or their respective agents, unless it has been confirmed in writing by the AMC or its agents and / or payment has been received.

- Procedure for seeking approval of unitholders in specified circumstances

In terms of SEBI's (Mutual Funds) Regulations 1996 vide clause 18 (15d) and subsequent amendments issued from time to time, Trustees shall obtain the consent of the unitholders under the specific circumstances. For this purpose the approval of unitholders will be sought through a Postal Ballot. For the purpose of record, one unit will be treated as one vote. The Trustees will send a detailed letter alongwith the ballot paper to all the eligible unitholders. Unitholders will be requested to respond by returning back ballot paper till a specified cut out date. Trustees may consider to appoint an independent agency to receive, open and count the ballot papers and submit their report to them.

Trustees in turn will inform to SEBI the result in such voting by the investors through the postal ballot.

- Fund's Policy for dealing with unclaimed redemption amount

As per SEBI guidelines, the unclaimed redemption amounts shall be deployed in money market instruments only or such other instruments, as permitted under Regulations. The investors who claim such amounts during the period of three years from the due date shall be paid at the prevailing Net Asset Value. After a period of three years, this amount will be transferred to a pool account and the investors can claim the amount at NAV prevailing at the end of the third year. The income earned on such funds shall be used for the purpose of investor education.

The Fund will make continuous efforts to remind the investors through letters to take their unclaimed amounts. Further, the investment management fee charged by AMC for managing unclaimed amounts shall not exceed 50 basis points.

#### **IV. INVESTMENT VALUATION NORMS FOR SECURITIES AND OTHER ASSETS**

##### **(1) TRADED SECURITIES**

1. The listed securities shall be valued at the last quoted closing price on the Stock Exchange.
2. When the securities are traded on more that one recognized stock exchange, the securities shall be valued at the last quoted closing price on the Stock Exchange where the security is principally traded
3. When on a particular valuation day, a security has not been traded on the principal stock exchange; the value at which it is traded on another Stock Exchange may be used.
4. When a security (other than debt securities) is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to valuation date.

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

##### **(2) NON-TRADED SECURITIES**

When a security (other than Government Securities) is not traded on any stock exchange for a period of thirty days prior to the valuation date, the security will be treated as non-traded security.

**(3) THINLY TRADED DEBT SECURITIES:**

A debt security (other than Government Securities) shall be considered as a thinly traded security if on the valuation date, there are no individual trades in that security in marketable lots (currently Rs.5 crore) on the Principal Stock Exchange or any other stock exchange.

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

**(4) VALUATION OF NON-TRADED / THINLY TRADED SECURITIES**

Non traded/thinly traded securities shall be valued "in good faith" by the AMC on the basis of the valuation principles laid down below:

**D.i(a) Non Traded / Thinly Traded Debt Securities of Upto 182 days to Maturity :**

As the money market securities are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments) a similar process will be adopted for non-traded debt securities with residual maturity of upto 182 days, in the absence of any other standard benchmarks in the market. Debt securities purchased with residual maturity of upto 182 days are to be valued at cost (including accrued interest till the beginning of the day) plus the difference between the redemption value (inclusive of interest) and cost spread uniformly over the remaining maturity period of the instrument. In case of a debt security with maturity greater than 182 days at the time of purchase, the last valuation price plus accrued interest should be used instead of purchase cost. All other non-traded Non government debt instruments will be valued using the method below hereof.

**D.ii(b) Non Traded / Thinly Traded Debt Securities of over 182 days to Maturity :**

For the purpose of valuation, all Non Traded Debt Securities would be classified into "Investment grade" and "Non-investment grade" securities based on their credit ratings. The non-investment grade securities would further be classified as "Performing" and "Non Performing" assets.

- All Non Government investment grade debt securities, classified as not traded, shall be valued on yield to maturity basis as described below.
- All Non Government non-investment grade performing debt securities would be valued at a discount of 25% to the face value.
- All Non Government non-investment grade non-performing debt securities would be valued based on the provisioning norms.

The approach in valuation of non-traded debt securities is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the non-traded security.

The Yields for pricing the non-traded debt security would be arrived at using the process as defined below.

**Step A**

A Risk Free Benchmark Yield is built using the government securities (GOI Sec) as the base. GOI Secs are used as the benchmarks as they are traded regularly; free of credit risk; and traded across different maturity spectrums every week.

## Step B

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

## Step C

The yields as calculated above are Marked-up/Marked-down for ill-liquidity risk.

## Step D

The Yields so arrived are used to price the portfolio.

## Methodology

### A. Construction of Risk Free Benchmark

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

- Government of India Dated such as securities will be grouped into the various duration buckets 0.5-1 years, 1-2 years, 2-3 years, 3-4 years, 4-5 years, 5-6 years and 6 years and the volume weighted yield would be computed for each bucket. These duration buckets may be changed to reflect the market value more closely by any agency suggested by AMFI giving benchmark yield / matrix of spreads over benchmark yield.

The benchmark as calculated above will be set at least weekly, and in the event of any significant movement in prices of Government Securities on account of any event impacting interest rates on any day such as a change in the Reserve Bank of India (RBI) policies, the benchmark will be reset to reflect any change in the market conditions.

### B. Building a Matrix of Spreads for Marking-up the Benchmark Yield

Mark up for credit risk over the risk free benchmark YTM as calculated in step A, will be determined using the trades of corporate debentures/bonds of different ratings. All trades on Stock Exchange, Mumbai during the fortnight prior to the benchmark date will be used in building the corporate YTM and spread matrices. Initially these matrices will be built only for corporate securities of investment grade. The matrices are dynamic and the spreads will be computed every week. The matrix will be built for all duration buckets for which the benchmark GOI matrix is built to effectively link the corporate matrix with the GOI securities matrix. Accordingly:

- All traded paper (with minimum traded value of Rs.1 crore) will be classified by their ratings and grouped into 7 duration buckets; for rated securities, the most conservative publicly available rating will be used;
- For each rating category, average volume weighted yield will be obtained both from trades on the appropriate stock exchange and from the primary market issuances.
- Where there are no secondary trades on the appropriate stock exchange in a particular rating category and no primary market issuances during the fortnight under consideration, the trades on Stock Exchange, Mumbai during the 30 day period prior to the benchmark date will be considered for computing the average YTM for such rating category;
- If the matrix cannot be populated using any or all of the above steps, then credit spreads from trades on Stock Exchange, Mumbai of the relevant rating category over the AAA trades will be used to populate the matrix.

- In each rating category, all outliers will be removed for smoothening the YTM matrix;
- Spreads will be obtained by deducting the YTM in each duration category from the respective YTM of the GOI securities;
- In the event of lack of trades in the secondary market and the primary market the gaps in the matrix would be filled by extrapolation. If the spreads cannot be extrapolated for the reason of practicality, the gaps in the matrix will be filled by carrying the spreads from the last matrix.

### C. *Mark-up/Mark-down Yield*

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

<b>Category</b>	<b>Discretionary discount over benchmark yield in basis points</b>
Rated Instruments with duration upto 2 years	Discretionary Discount of upto +100
Rated Instruments with duration over 2 years	Discretionary Discount of upto +75
Unrated Instruments with duration upto 2 years	Discretionary Discount of upto +50 over and above the mandatory Discount +50
Unrated Instruments with duration over 2 years	Discretionary Discount of upto +50 over and above the mandatory Discount of +25

The benchmark yield / matrix of spreads over benchmark yield obtained from any agency suggested by AMFI as a provider of benchmark yield / matrix of spreads over benchmark yield to mutual funds, must be applied for valuation of securities on the day on which the bench mark yield / matrix of spreads over benchmark yield is released by the aforesaid agency.

### **Valuation of securities with Put/Call Options**

The option embedded securities would be valued as follows;

#### **Securities with call option:**

The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option.

In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instruments.

#### **Security with Put option**

The securities with both Put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option.

In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instrument.

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

The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

- D.(iii) **Government securities** (not traded for more than 30 days or one which would qualify as a thinly traded security) shall be valued at yield to maturity based on the prevailing market rate in accordance with item (ii) of Clause 2 of the Eighth Schedule of SEBI (Mutual Funds) Regulations, 1996.

**(5) OTHER INSTRUMENTS, INVESTMENTS IN CALL ETC.**

- (i) Where instruments have been bought on 'repo' basis, the instrument will be valued at the resale price after deduction of applicable interest upto date of resale. Where an instrument has been sold on a 'repo' basis, adjustment must be made for the difference between the repurchase price (after deduction of applicable interest upto date of repurchase) and the value of the instrument. If the repurchase price exceeds the value, depreciation must be provided for and if the repurchase price is lower than the value, credit must be taken for the appreciation.
- (ii) Investments in call shall be valued at cost plus accrual
- (iii) Money Market Instruments such as investments in bills purchased under rediscounting scheme and short term deposits with banks, call money shall be valued at cost plus accrual till valuation date. Non-traded Money Market instruments, that is instruments not traded for more than seven days, will be valued at the yield at which they are currently traded. For this purpose, non-traded instruments will be valued at cost plus interest accrued till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments.
- (iv) In respect of convertible debentures and bonds, the non-convertible and convertible components shall be valued separately. The non-convertible component shall be valued on the basis as would be applicable to a debt instrument.

**(6) ILLIQUID SECURITIES**

Aggregate value of "illiquid securities" of scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be assigned zero value.

**ACCOUNTING POLICIES**

In accordance with the Regulations, the AMC will follow the accounting policies and standards, as detailed below:

- a) The AMC, for each Scheme and its Plans, shall keep and maintain proper books of account, records and documents, so as to explain its transactions and to disclose at any point of time the financial position of the Scheme and, in particular, give a true and fair view of the state of affairs of the Fund.
- b) For the purposes of the financial statements, the Scheme and its Plans shall mark all investments to market and carry investments in the balance sheet at market value. However, since the unrealized gain arising out of appreciation on investments cannot be distributed, provision shall be made for exclusion of this item when arriving at distributable income.
- c) Dividend income earned by the Scheme and its Plans shall be recognized, not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments, which are not quoted on the stock exchange, dividend income would be recognized on the date of declaration of dividend.
- d) In respect of all interest-bearing investments, income shall be accrued on a day to day basis as it is earned. Therefore, when such investments are purchased, interest paid for the period

- from the last interest due date up to the date of purchase should not be treated as a cost of purchase but shall be debited to Interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale must not be treated as an addition to sale value but shall be credited to Interest Recoverable Account.
- e) In determining the holding cost of investments and the gains or loss on sale of investments, the “average cost” method shall be followed for each security.
  - f) Transactions for purchase or sale of investments shall be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisition through private placement or purchases or sales through private treaty, the transaction would be recorded, in the event of a purchase, as of the date on which the Scheme obtains an enforceable obligation to pay the price or, in the event of a sale, when the Scheme obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
  - g) Bonus shares to which the Scheme and the Plans thereunder becomes entitled shall be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, rights entitlements shall be recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-right basis.
  - h) Where income receivable on investments has accrued but has not been received for the period specified in the guidelines issued by the Board, provision shall be made by debiting to the revenue account the income so accrued in the manner specified by guidelines issued by the Board.
  - i) When units are sold in the Scheme, an appropriate part of the sale proceeds shall be credited to an Equalization Account and when units are repurchased an appropriate amount shall be debited to Equalization Account. The net balance on this account shall be credited or debited to the Revenue Account. The balance on the Equalization Account debited or credited to the Revenue Account shall not decrease or increase the net income of the Fund but is only an adjustment to the distributable surplus. It shall therefore be reflected in the Revenue Account only after the net income of the Fund is determined.
  - j) When units are sold, after considering the equalization as above, the difference between the sale price and the face value of the Unit, if positive, shall be credited to reserves and if negative, shall be debited to reserve, the face value being credited to Capital Account. Similarly, when the Units are repurchased, after considering the equalization as above, the difference between the purchase price and face value of the Unit, if positive, shall be debited to reserves and, if negative, shall be credited to reserves, the face value being debited to the Capital Account.
  - k) The cost of investments acquired or purchased shall include brokerage, stamp charges, security transaction tax and any charge customarily included in the broker’s bought note. In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment.
  - l) Underwriting commission shall be recognized as revenue only when there is no devolvement on the Scheme and its Plans. Where there is devolvement on the Scheme and the Plans thereunder, the full underwriting commission received and not merely the portion applicable to the devolvement shall be reduced from the cost of the investment.

The accounting policies and standards outlined above are as per the existing Regulations and are subject to change as per changes in the Regulations.

**Guidelines for Identification and Provisioning for Non Performing Assets For Mutual Funds:**

**(A) Definition of a Non Performing Asset (NPA) :** An 'asset' shall be classified as non performing, if the interest and/or principal amount have not been received or remained outstanding for one quarter from the day such income / installment has fallen due.

**(B) Effective date for classification and provisioning of NPAs :** The definition of NPA may be applied after a quarter past due date of the interest. For e.g. if the due date for interest is 31.12.2005, it will be classified as NPA from 01.04.2006.

**(C) Treatment of income accrued on the NPA and further accruals :** After the expiry of the 1<sup>st</sup> quarter from the date the income has fallen due, there will be no further interest accrual on the asset i.e. if the due date for interest falls on 31.12.2004 and if the interest is not received, accrual will continue till 31.03.2005 after which there will be no further accrual of income. In short, taking the above example, from the beginning of the 2<sup>nd</sup> quarter there will be no further accrual on income.

On classification of the asset as NPA from a quarter past due date of interest, all interest accrued and recognized in the books of accounts of the Fund till the date, should be provided for. For e.g. if interest income falls due on 31.12.2004, accrual will continue till 31.03.2005 even if the income as on 31.12.2004 has not been received. Further, no accrual will be done from 01.04.2005 onwards. Full provision will also be made for interest accrued and outstanding as on 31.03.2005.

**(D) Provision for NPAs – Debt Securities :** Both secured and unsecured investments once they are recognized as NPAs call for provisioning in the same manner and where these are related to close ended scheme the phasing would be such that to ensure full provisioning prior to the closure of the scheme or the scheduled phasing which ever is earlier.

The value of the asset must be provided in the following manner or earlier at the discretion of the fund. Fund will not have discretion to extend the period of provisioning. The provisioning against the principal amount or installments should be made at the following rates irrespective of whether the principal is due for repayment or not.

10% of the book value of the asset should be provided for after 6 months past due date of interest i.e. 3 months from the date of classification of the asset as NPA. 20% of the book value of the asset should be provided for after 9 months past due date of interest i.e. 6 months from the date of classification of the asset as NPA.

Another 20% of the book value of the assets should be provided for after 12 months past due date of interest i.e. 9 months from the date of classification of the asset as NPA.

Another 25% of the book value of the assets should be provided for after 15 months past due date of interest i.e. 12 months from the date of classification of the asset as NPA.

The balance 25% of the book value of the asset should be provided for after 18 months past due date of the interest i.e. 15 months from the date of classification of the assets as NPA.

Book value for the purpose of provisioning for NPAs shall be taken as a value determined as per the prescribed valuation method.

**(E) Reclassification of assets:** Upon reclassification of assets as 'performing assets':

1. In case a company has fully cleared all the arrears of interest, the interest provisions can be written back in full.

2. The asset will be reclassified as performing on clearance of all interest arrears and if the debt is regularly serviced over the next two quarters.

3. In case the company has fully cleared all the arrears of interest, the interest not credited on accrual basis would be credited at the time of receipt.

4. The provision made for the principal amount can be written back in the following manner: -

100% of the asset provided for in the books will be written back at the end of the 2<sup>nd</sup> quarter where the provision of principal was made due to the interest defaults only.

50% of the asset provided for in the books will be written back at the end of the 2<sup>nd</sup> quarter and 25% after every subsequent quarter where both installments and interest were in default earlier.

5. An asset is reclassified as 'standard asset' only when both overdue interest and overdue installments are paid in full and there is satisfactory performance for a subsequent period of 6 months.

**(F) Receipt of past dues:** When the fund has received income/principal amount after their classifications as NPAs; For the next 2 quarters, income should be recognized on cash basis and thereafter on accrual basis. The asset will be continued to be classified as NPA for these two quarters.

During this period of two quarters although the asset is classified as NPA no provision needs to be made for the principal if the same is not due and outstanding

If part payment is received towards principal, the asset continues to be classified as NPA and provisions are continued as per the norms set at (D) above. Any excess provision will be written back.

Some of the investments made by mutual funds may become non-performing (NPAs) or illiquid at the time of maturity/ closure of schemes. In due course of time, these NPAs and illiquid securities may be realised by the mutual funds i.e. after the winding up of the schemes. Such amount would be distributed, if

it is substantial and is realised within two years, to the old investors. In case the amount is not substantial or it is realised after two years, it may be transferred to the Investor Education Fund maintained by each mutual fund as specified in SEBI circular MFD/CIR/9/120/2000 dated November 24, 2000. The decision as to the determination of substantial amount shall be taken by the Trustee of mutual funds after considering the relevant factors.

**(G) Classification of Deep Discount Bonds as NPAs:** Investments in Deep Discount Bonds can be classified as NPAs, if any two of the following conditions are satisfied:

If the rating of the Bond comes down to grade 'BB' or below.

If the company is defaulting in their commitments in respect of other assets, if available.

Full Net worth erosion.

Provision should be made as per the norms set at (D) above as soon as the asset is classified as NPA. Full provision can be made if the rating comes down to grade 'D'

**(H) Re-schedulement of an asset:** In case any company defaults either interest or principal amount and the fund has accepted a re-schedulement of the schedule of payments, then the following practice may be adhered to:

(i) In case it is a first re-schedulement and only interest is in default, the status of the asset namely, 'NPA' may be continued and existing provisions should not be written back. This practice should be continued

for two quarters of regular servicing of the debt. Thereafter, this be classified as 'performing asset' and the interest provided may be written back.

(ii) If the re-schedulement is done due to default in interest and principal amount, the asset should be continued as non-performing for a period of 4 quarters, even though the asset is continued to be serviced during these 4 quarters regularly. Thereafter, this can be classified as 'performing asset' and all the interest provided till such date should be written back.

(iii) If the re-schedulement is done for a second/third time or thereafter, the characteristic of NPA should be continued for eight quarters of regular servicing of the debt. The provision should be written back only after it is reclassified as 'performing asset'.

**(I) Disclosure in the Half Yearly Portfolio Reports:** The mutual funds shall make scripwise disclosures of NPAs on half yearly basis along with the half yearly portfolio disclosure.

The total amount of provisions made against the NPAs shall be disclosed in addition to the total quantum of NPAs and their proportion of the assets of the mutual fund scheme.

In the list of investments an asterisk mark shall be given against such investments which are recognized as NPAs. Where the date of redemption of an investment has lapsed, the amount not redeemed shall be shown as 'Sundry Debtors' and not investment provided that where an investment is redeemable by installments that will be shown as an investment until all installments have become overdue.

## **V. TAX & LEGAL & GENERAL INFORMATION**

### **TAX BENEFITS**

#### **1. To the Mutual Fund**

The entire income of the Fund is exempt from Income Tax in accordance with the provisions of Section 10(23D) of the Income Tax Act, 1961. As per Section 196 (IV), income received by the Fund is not liable for deduction of tax at source.

Any amount of income distributed by a mutual fund to its unitholders on or after April 1, 2003 shall be chargeable to tax and the mutual fund shall be liable to pay additional income tax plus applicable surcharge and education cess as stated in A(iii) below. Equity Oriented Schemes are, however, exempted from the purview of this tax.

### **TAX TREATMENT FOR INVESTOR**

#### **A. INCOME TAX**

##### **I) INVESTORS IN EQUITY ORIENTED SCHEMES**

Under the provisions of section 10 (35) of the Income-tax Act, 1961, income received by all categories of unitholders from the Schemes will be exempt from income tax in their hands. In view of this position, no tax needs be deducted at source from such distribution by the schemes.

##### **II) INVESTORS IN EQUITY LINKED SAVING SCHEME ONLY**

In terms of the provisions of section 80C of the Act, an individual or a HUF is entitled to claim a deduction for investments made in specified securities etc. up to a maximum amount of Rs.100,000. Subscription of any units of the schemes of Mutual Fund notified under clause (23D) of section 10 of the Act or from the Administrator or the specified company under any plan formulated in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in the behalf, qualify for deduction under section 80C of the Act.

The Central Government has notified the Equity Linked Savings Scheme, 2005 ('ELSS 2005') in this regard vide Notification No. 226 dated November 03, 2005 as amended by Notification No. 259 dated December 13, 2005.

The investors would, therefore, be entitled to the benefits under section 80C of the Act for investments made in Libra Tax Shield scheme of the Fund upto 1 Lacs subject to the aggregate limit of Rs.1 Lac for all the investments provided under section 80C of the Act.

### III) INVESTORS IN BOND, GILT AND LIQUID SCHEMES

Under the provisions of section 10 (35) of the Income-tax Act, 1961, income received by all categories of unitholders from the Schemes will be exempt from income tax in their hands. In view of this position, no tax needs be deducted at source from such distribution by the schemes. However, income from the transfer of Units of a mutual fund is not exempt from taxation. Also, any amount of income distributed by a mutual fund to its unitholders on or after April 01, 2003 shall be chargeable to tax and the mutual fund shall be liable to pay additional income tax as under;

Category	Tax Rate
Income distributed to Individuals/HUF	*12.5% plus surcharge & education cess as applicable
Income distributed to any other person	*20% plus surcharge & education cess as applicable

*\* Liquid Fund – As per Finance Act 2007, the aforesaid tax rate is 25% plus surcharge plus education cess in case of Liquid Fund*

### B. LONG TERM CAPITAL GAINS

#### I) INVESTORS IN EQUITY ORIENTED SCHEMES

Units of Equity Oriented Mutual Funds are treated as securities and Long-term Capital Gains Tax in respect of units held for a period of more than 12 months shall be NIL where the transaction takes place on or after October 01, 2004 in accordance with provisions of Section 10(38) of the Income Tax Act, 1961. Securities transaction tax (STT) shall be levied @ 0.25% i. e. 25 basis point on the seller as per Finance Act, 2006.

#### II). INVESTORS IN DEBT ORIENTED SCHEMES

For investors in Debt Oriented Schemes, the following are the Long terms capital gains impact;

##### i) For Individuals and HUFs

Long-term Capital Gains in respect of Units held for a period of more than 12 months are chargeable under section 112 of the Income-Tax Act, 1961 at the rate of 20% plus surcharge and education cess, as applicable. Capital gains would be computed after taking into account cost of acquisition, as adjusted by Cost Inflation Index notified by the Central Government and expenditure incurred wholly and exclusively in connection with such transfer. In a case, where taxable income, as reduced by long term capital gains, is below the exemption limit, the long term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be charged at the flat rate of 20% plus surcharge and education cess, as may be applicable.

It is further provided that an assessee will have an option to seek concessional rate of 10%, plus surcharge plus education cess, provided the long term capital gains are computed without substituting indexed cost in place of cost of acquisition.

**ii) For Partnership Firms, Non-Residents, Indian Companies/Foreign Companies**

Long-term Capital Gains in respect of units held for a period of more than 12 months will be chargeable under section 112 of the Income-Tax Act, 1961, at the rate of 20% plus surcharge and education cess, as may be applicable. Capital gains would be computed after taking into account cost of acquisition, as adjusted by Cost Inflation Index notified by the Central Government, and expenditure incurred wholly and exclusively in connection with such transfer.

It is further provided that an assessee will have an option to avail of the concessional rate of 10%, plus surcharge and education cess, as applicable, on long term capital gains computed without adjusting cost for indexation.

**iii) For Non-resident Indians**

Under section 115E of the Income Tax Act, 1961, in case of non-resident Indians, income by way of long-term capital gains, in respect of Units, is chargeable at the rate of 20% plus applicable surcharge and education cess. Such long-term capital gains would be calculated with indexation of cost of acquisition. Non-resident Indians may opt for computation of long term capital gains as per section 112, if it is more beneficial to them.

**iv) For Overseas Financial Organisations, and Foreign Institutional Investors fulfilling conditions laid down under section 115AB (Offshore Fund)**

Under section 115AB of the Income-Tax Act, 1961, long term capital gains in respect of units held for a period of more than 12 months will be chargeable at the rate of 10%, plus surcharge and education cess, as may be applicable. Such gains would be calculated without indexation of cost of acquisition.

**v) Setting Off Previous Year's Brought Forward Losses**

Loss arising on transfer of a long term capital asset can be set off only against other long term capital gains and not against any other income. If there is nil or inadequate long term capital gains in any year, the loss remaining will be allowed to be carried forward to the next year upto a maximum of 8 years.

**C. SHORT TERM CAPITAL GAINS:**

**I). INVESTORS IN EQUITY ORIENTED SCHEMES**

Units of Equity Oriented Mutual Funds are treated, as securities and Short-term Capital Gains tax in respect of Units shall be 10%. Securities transaction tax (STT) shall be levied @ 0.25 percent (i.e. 25 basis point) on the seller as per Finance Act 2006.

**II). INVESTORS IN DEBT ORIENTED SCHEMES**

For investors in Debt Oriented Schemes, the following are the Short Terms Capital Gains impact:

**i. Capital Gains/Losses**

Short term capital gains are taxed at the normal rates applicable to each unitholder. Loss arising on transfer of a short term capital asset can be set off only against other short term capital gains or long term capital gains. If there is nil or inadequate capital gains in any year, the loss remaining will be allowed to be carried forward to the next year upto a maximum of 8 years.

As per Section 94(7), if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of dividend, or distribution of income, and sells or transfers the same within a period of nine months from such record date, then capital losses arising from such sale to the extent of dividend or income received or receivable on such units will be ignored for the purpose of computing his income chargeable to tax.

**ii. Income Tax Rates**

Short term Capital Gain in respect of Units held for a period of not more than 12 months is added to the total income. Total income including short-term capital gain is chargeable to tax as per the relevant slab rates. The maximum tax rates applicable to different categories of assesses are as follows:

Resident individuals and HUF	30% plus applicable surcharge plus education cess
Partnership Firms	30% plus applicable surcharge plus education cess
Indian Companies	30% plus applicable surcharge plus education cess
Foreign Companies	40% plus applicable surcharge plus education cess

**D. TAX DEDUCTION AT SOURCE**

Under section 195 of the Income Tax Act, 1961, tax shall be deducted at source in respect of capital gains as under:

**I) INVESTORS IN EQUITY ORIENTED SCHEMES**

a. In case of non-resident other than a company -

- Long term capital gains Nil where transaction takes place on or after October 01, 2004
- Short term capital gains 30% plus surcharge plus education cess as applicable

b. In case of foreign company -

- Long term capital gains Nil where transaction takes place on or after October 01, 2004
- Short term capital gains 30% plus surcharge plus education cess as applicable

**II). INVESTORS IN DEBT ORIENTED SCHEMES**

a. In case of non resident other than a company -

- Long term capital gains 20% plus surcharge plus education cess
- Short term capital gains 30% plus surcharge plus education cess

b. In case of foreign company -

- Long term capital gains 20% plus surcharge plus education cess
- Short term capital gains 40% plus surcharge plus education cess

c. In case of Offshore Fund and FII as defined in 115AB

- Long term capital gains 10% plus surcharge plus education cess

**Applicable to all Schemes:**

As per circular no. 728 dated October 1995 by CBDT, in the case of a remittance to a country with which a Double Taxation Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in DTAA whichever is more beneficial to the tax payer.

**E. EXEMPTION FROM TAX ON CAPITAL GAINS ARISING ON TRANSFER OF UNITS HELD FOR MORE THAN 12 MONTHS (WHEREVER APPLICABLE)****U/S 54EC of the Income Tax Act, 1961**

Under section 54EC of the Income Tax Act, 1961, where a tax payer has made capital gains from the transfer of units held in the Mutual Fund for a period exceeding 12 months and the assessee has any time within a period of 6 months after the date of such transfer, invested the whole of the capital gains in

the long term specified assets, such capital gains shall be exempted from tax on capital gains under section 54EC of the Income Tax Act, 1961. However, if the assessee has invested only a part of the capital gains, he will be eligible for proportionate exemption. As per Finance Act 2007, the maximum deduction available under this section is restricted to Rs. 50 Lacs.

#### **U/S 54ED of the Income Tax Act, 1961**

Under Section 54ED, whereby the capital gains arising from the transfer of units held in the mutual fund for a period exceeding 12 months will be exempt, if the assessee has, any time within a period of 6 months after the date of such transfer, invested the whole of the capital gains in acquiring equity shares forming part of an eligible issue of capital. However, if the assessee has invested only a part of the capital gains, he will be eligible for proportionate exemption. An eligible issue of capital means an issue of equity shares offered for subscription to the public by a public company formed and registered in India.

#### **Indirect Tax impact on investors due to tax impact on the schemes:**

The schemes may be impacted by the rates of taxation on capital gains, interest and other corporate actions on investment by non resident mutual funds, in different countries of investment, in line with the prevailing tax laws in those countries of investment, as also in line with the respective tax treaties in existence with India

#### **F. INVESTMENTS BY CHARITABLE AND RELIGIOUS TRUSTS IN THE SCHEMES**

Units of the Schemes constitute an eligible avenue for investment by charitable or religious trusts per rule 17C of the Income Tax Rules, 1962, read with clause (xii) of sub-section (5) of section 11 of the Income Tax Act, 1961.

#### **G. WEALTH TAX**

Units held under the Schemes are not treated as assets within the meaning of section 2(ea) of the Wealth Tax Act, 1957 and are, therefore, not liable to Wealth-Tax.

#### **H. GIFT TAX**

Units of the Schemes may be given as a Gift and no Gift tax will be payable either by the donor or the donee, as the Gift Tax Act has been abolished with effect from 1st October 1998.

**Note:** The tax provisions/implications described above are available, under present taxation law, to the unitholders of Mutual Funds. The information set forth above is included for general information purposes only and does not constitute legal or tax advice. Investors/Unitholders should be aware that the relevant fiscal rules or their interpretation may change and there can be no guarantee that the tax position or proposed tax position prevailing at the time of an investment in the Fund will remain indefinitely. In view of the individual nature of tax consequences, each Investor/Unitholder is advised to consult his/her own professional tax advisor

**EACH INVESTOR IS ADVISED TO CONSULT HIS OR HER OWN TAX CONSULTANT WITH RESPECT TO THE SPECIFIC TAX IMPLICATIONS ARISING OUT OF HIS OR HER PARTICIPATION IN THE SCHEME.**

## **B. Legal Information**

### **B.1 Nomination Facility**

As per AMFI Circular dated 3rd January, 2008, a Unit Holder can, at the time an application or by writing to an ISC, request for a nomination form in order to nominate multiple persons to receive the Units upon his / her death, subject to the completion of certain necessary formalities e.g. providing proof of the death of the Unit Holder, signature of the nominee, furnishing proof of guardianship if the nominee is a minor, and the execution of an indemnity bond or such other documents as may be required from the nominee in favor of and to the satisfaction of the AMC / Registrar.

Nomination can be made only by individuals on their own behalf, either singly or jointly. If the Units are held jointly, all joint Unit Holders must sign the nomination form.

Only the following categories of Indian residents can be nominated: (a) individuals; (b) minors through parent/legal guardian (whose name and address must be provided); (c) religious or charitable trusts; and (d) Central Government, State Government, a local authority or any person designated by virtue of his office.

A nomination in respect of Units will be treated as rescinded upon the Redemption of all Units. Cancellation of a nomination can be made only by the Unit Holders who made the original nomination and must be notified in writing. On receipt of a valid cancellation, the nomination shall be treated as rescinded and the AMC / Fund shall not be under any obligation to transfer the Units in favor of the nominee.

The transfer of Units / payment to the nominee of the Redemption proceeds shall be valid and effectual against any demand made upon the Fund / AMC / Trustee and shall discharge the Fund /AMC / Trustee of all liability towards the estate of the deceased Unit Holder and his / her legal personal representative or other successors.

The Fund, the AMC and the Trustee are entitled to be indemnified from the deceased Unit Holder's estate against any liabilities whatsoever that any of them may suffer or incur in connection with a nomination.

### **B.2 Know Your Customer (KYC)**

The need to "Know Your Customer" is vital for the prevention of money laundering. In terms of the Prevention of Money Laundering Act, 2002, the Rules issued there under and the guidelines/circulars issued by SEBI regarding the Anti Money Laundering (AML Laws), all intermediaries, including Mutual Funds, have to formulate and implement a client identification programme, verify and maintain the record of identity and address(es) of investors.

In order to make the data capture and document submission easy and convenient for the investors, Mutual Fund Industry has collectively entrusted the responsibility of collection of documents relating to identity and address of the investor(s) to an independent agency (presently CDSL Ventures Limited) which will act as central record keeping agency ('Central Agency').

As a token of having accepted the documents for identity and address of the investor(s) and for efficient retrieval of records, the Central Agency will give an acknowledgement letter to each investor who submits an application and the prescribed documents to the Central Agency.

Investors should note that it is mandatory for all applications for subscription of value of Rs.50,000/- and above to quote the KYC Compliance Status of each applicant (guardian in case of minor, including NRI's) in the application for subscription and attach proof of KYC Compliance viz. KYC acknowledgement letter (or the erstwhile Mutual Fund Identification Number@ (MIN) Allotment Letter). Applicants intending to

apply for units through a Power of Attorney (PoA) must ensure that the issuer of the PoA and the holder of the PoA must mention their KYC Compliance Status and attach proof of KYC Compliance at the time of Investment above the threshold.

The KYC status will be validated with the records of the Central Agency before allotting units of the scheme of Taurus Mutual Fund, which in turn will not be held responsible and / or liable for rejection of KYC form, if any, by the Central Agency. Applications for subscriptions of value of Rs. 50,000 and above without a valid KYC compliance will be rejected.

@ Valid only where investors who have already obtained the erstwhile Mutual Fund Identification Number (MIN) by submitting the PAN copy as the Proof of Identity.

**Applications incomplete in any respect (other than mentioned above) will be liable to be rejected.**

In order to protect investors from frauds, it is advised that the Application Form number and name of the first investor should be written overleaf the cheque / draft, before they are handed over to any courier / messenger / distributor / ISC.

### **B.3 Transfer & Transmission of Units**

In case of death of the unitholder, units will be transmitted in favour of the second named joint holder or nominee, as the case may be, on production of a certified copy of the death certificate or such other document(s) to the satisfaction of the Fund.

Under the terms of Equity Linked Saving Scheme notification issued by Ministry of Finance, Government of India, in the event of death of the first applicant, the nominee or the legal heir as the case may be, shall be able to withdraw the investment only after the completion of one year from the date of allotment.

### **B.4 Duration of the Scheme/Winding up**

The duration of the Scheme is perpetual. However, the Scheme may be wound up if :-

- There are changes in the capital market, fiscal laws or any event or series of events occur, which, in the opinion of the Trustee, requires the Scheme to be wound up; or
- 75% of the unitholders of the Scheme pass a resolution that the Scheme be wound up; or
- SEBI directs the Scheme to be wound up in the interests of the unitholders.
- If the Scheme/Plan fails to meet the criteria for minimum number of investors and maximum holding by a single investor as prescribed by SEBI.

### **B.5 Procedure and Manner of Winding up**

Regulation 39(2) of the SEBI (Mutual Funds) Regulations, 1996 provides that any scheme of a mutual fund may be wound up, after repaying the amount due to the unitholders. Winding up would be effected on account of following :-

- a) on the happening of any event which, in the opinion of the Trustees, requires the scheme to be wound up; or
- b) if 75% of the unitholders of a scheme in value pass a resolution that the scheme be wound up; or
- c) if the SEBI so directs in the interest of the unitholders.

Where a scheme is wound up under the above Regulation, the Trustees shall give 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 , and in a vernacular newspaper circulating at the place where the Mutual Fund is set up.

In case of termination of the Scheme, the Trustees shall proceed as follows:

From the proceeds of the assets of the Scheme, the Trustees shall first discharge all liabilities of the Scheme and make provision for meeting the expenses of the winding up of the Scheme, including the fees of the AMC. The balance shall be distributed amongst the unitholders of the Scheme in proportion to their respective interest in such balance.

## **C. General Information**

### **C.1 Underwriting**

The Schemes may also undertake underwriting and sub underwriting activities (only for equity and equity related instruments) in order to augment its income, after complying with the approval and compliance process specified in the SEBI (underwriters) Rules & Regulations, 1993 and further subject to the following norms:

- The capital adequacy of the Mutual Fund for the purposes of SEBI (Underwriters) Rules and Regulations, 1993 shall be the net assets of the Scheme.
- The total underwriting obligation of the Scheme shall not exceed 25% of the total net asset value of the Scheme.
- No Underwriting commitment may be undertaken in respect of the Scheme during the period of 6 months prior to the date of redemption of the Scheme.
- The decision to take up any underwriting commitment shall be made as if the Scheme is actually investing in that particular security.
- As such, all investment restrictions and prudential guidelines relating to investments, individually and in aggregate as mentioned in SEBI Regulations shall, in so far as may be applicable, apply to underwriting commitments which may be undertaken under the Scheme.

These underwriting norms / parameters (as expressed / linked to the net asset/ net asset value/ capital) shall in the ordinary course apply as at the date of the most recent transaction of commitment to underwrite, and changes do not have to be effected merely because, owing to appreciations or depreciations in value or by reason of the receipt of any rights, bonuses or benefits in the nature of capital or of any scheme of arrangement or for amalgamation, reconstruction or exchange, or at any repayment or redemption or other reason outside the control of the Fund, any such limits would thereby be breached. If these limits are exceeded for reasons beyond its control, TAMCO shall adopt as a priority objective the remedying of that situation, taking due account of the interests of the Unitholders. As such all underwriting and sub-underwriting activities of the Fund will be undertaken in accordance with SEBI (Underwriters) Rules and Regulations, 1993, and the norms as laid down by SEBI Circular dated June 30, 1994, and as amended from time to time.

### **C.2 Borrowing**

The Schemes may borrow from any body - corporate including TAMCO, Sponsor and Commercial Banks, upto a maximum of 20% of the net assets of the Scheme for a maximum duration of 6 months, in order to meet the temporary liquidity needs of the Schemes, for the purpose of re-purchase/redemption or payment of interest or dividend to the unitholders, as per clause 44(2) of SEBI (Mutual Fund) Regulations, 1996. Fund had borrowed Rs.2.5crores from sponsor for 2 days in the year 2006-07 without any interest to meet temporary liquidity need under Taurus the Starshare scheme.

### **C.3 Inter-scheme Transfer**

Inter-Scheme Transfer of Investments:

Transfers of investments from one scheme to another scheme in the same mutual fund shall be allowed only if –

- (a) such transfers are done at the prevailing market price for quoted instruments on spot basis.  
*Explanation: "spot basis" shall have same meaning as specified by stock exchange for spot transactions.*
- (b) the securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.

#### **C.4 Associate Transactions**

- i. The Fund has not carried out any transactions with the Sponsors or associate companies on a principal to principal basis under any scheme during the last three fiscal years.
- ii. During the last three fiscal years, the existing schemes of the Fund have not entered into any underwriting obligation with respect to issues of associate companies and no scheme has subscribed to any issues lead managed by Sponsor or associate companies.
- iii. No business was given to associate brokers during the last three fiscal years.
- iv. The services of the Sponsor can be utilized by the Asset Management Company for the purpose of sale and distribution of units of the schemes of the Fund. However, Sponsor's services have not been utilized during the years 2004-05, 2005-06 and 2006-07 as well as in the current year and hence no brokerage paid.

As and when Sponsors' services are utilized for sale and distribution of the units of existing schemes as well as any schemes launched in future, the rate of brokerage payable to them will be the same that is given to other agents/distributors.

- v. The Asset Management Company, subject to Regulations, may subscribe on behalf of the schemes of the Fund, in the securities lead managed by the sponsors. The AMC shall ensure that the investments in such issues will be in line with the investment objectives of the schemes.
- vi. Subject to the Regulations, the sponsors, the mutual funds managed by them, their affiliates / associates and the AMC may invest either directly or indirectly in the Scheme during the Initial Offer Period or any time during the Continuous Offer Period. In accordance with the Regulations, AMC shall not charge any investment management and advisory services fee on its investment in the Scheme. The Funds managed by the affiliates / associates, Sponsors and the AMC may acquire a substantial portion of the Scheme's units and collectively constitute a majority investor in the Scheme.
- vii. Transactions with group companies:
  - a. The Scheme shall not make any investments in any unlisted securities of associate or group companies of the Sponsors.
  - b. The Scheme will also not make investments in privately placed securities issued by associate or group companies of the Sponsors.
  - c. The aggregate investments by any scheme in the listed securities of group companies of the Sponsors shall not exceed 25% of its net assets.

#### **C.5 Policy of Investing in Group Companies of Sponsor Name of associates of Sponsor on AMC with which the Mutual Fund proposes to have dealings, transactions and those whose services may be used for marketing and distributing the scheme and the commissions that may be paid.**

- No scheme of the Fund shall make any investment in: -

- Any unlisted securities of an associate or group companies of the sponsor; or
- Any securities issued by way of private placement by an associate or group company of the sponsor; or
- The listed securities of group companies of the sponsor, which is in excess of 25% of net assets.

### C.6 Jurisdiction

Any dispute arising out of this issue shall be subject to the exclusive jurisdiction of the Courts in India.

Statements in this Statement of Additional Information are, except where otherwise stated, based on the law, practice currently in force in India, and are subject to changes therein.

### C.7 Documents Available for Inspection

Copies of the following documents will be available for inspection by the unitholders between 11.00 a.m. and 1.00 p.m. on any working day at the head office of the Mutual Fund: -

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

### Investor Grievances Redressal Mechanism

As soon as any complaint/enquiry is received the same is forwarded to the Registrar and Transfer Agents. The complaints received and so forwarded are monitored on day-to-day basis and it is ensured that the complaints/inquiries are promptly redressed/attended to.

### Investor Complaints History:

Details of complaints received and complaints redressed during the last 3 years are as under:-

Year	Name of the Scheme	Opening balance	Complaints received	Complaints redressed	Complaints pending
2005-2006	TSS	Nil	398	398	Nil
	DSF	Nil	181	181	Nil
	LTS	Nil	11	11	Nil
	BEGS	Nil	27	27	Nil
	LBF	Nil	1	1	Nil
	LGF	Nil	0	0	Nil
	<b>Total</b>	<b>Nil</b>	<b>618</b>	<b>618</b>	<b>Nil</b>
2006- 2007	TSS	Nil	229	229	Nil
	DSF	Nil	64	64	Nil
	LTS	Nil	4	4	Nil
	BEGS	Nil	48	48	Nil
	LBF	Nil	2	2	Nil
	LGF	Nil	0	0	Nil
	TLF	Nil			Nil
	<b>Total</b>	<b>Nil</b>	<b>347</b>	<b>347</b>	<b>Nil</b>

2007-2008	TSS	Nil	168	168	Nil
	DSF	Nil	78	78	Nil
	LTS	Nil	2	2	Nil
	BEGS	Nil	22	22	Nil
	LBF	Nil	Nil	Nil	Nil
	LGF	Nil	Nil	Nil	Nil
	Infra Tips	Nil	3	3	Nil
	TLF	Nil	Nil	Nil	Nil
	<b>Total</b>	<b>Nil</b>	<b>273</b>	<b>273</b>	<b>Nil</b>
April – May 2008	<b>TSS</b>	Nil	43	43	Nil
	<b>DSF</b>	Nil	9	9	Nil
	<b>LTS</b>	Nil	1	1	Nil
	<b>BEGS</b>	Nil	2	2	Nil
	<b>LBF</b>	Nil	Nil	Nil	Nil
	<b>LGF</b>	Nil	Nil	Nil	Nil
	<b>Infra Tips</b>	Nil	Nil	Nil	Nil
	<b>TLF</b>	Nil	Nil	Nil	Nil
	<b>Total</b>	<b>Nil</b>	<b>55</b>	<b>55</b>	<b>Nil</b>

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