

# THE MARKET CHRONICLE

~BY CATALYST

NEWS

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## CIRCULAR AND AMENDMENT ISSUED BY THE MARKET REGULATOR SEBI:

### Master Circular for Alternative Investment Funds (AIFs) (Applicability - Immediate Effect)

We refer to SEBI (Alternative Investment Funds) Regulations, 2012 last amended on July 04, 2023 (copy enclosed) and Master Circular for Alternative Investment Funds (AIFs) dated July 31, 2023 (copy enclosed).

In this regard, please note that this Master Circular shall come into force from the date of its issuance.

Securities and Exchange Board of India (SEBI) has been issuing various circulars from time to time to ensure an effective regulatory framework for AIFs. The provisions of the aforesaid circulars issued by SEBI up to March 31, 2023, which are operational as on date, have been incorporated in this Master Circular for AIFs.

The circulars mentioned in Annexure 19 of this Master Circular shall stand rescinded with the issuance of the Master Circular.

For more details please refer to the amended regulations and master circular attached herewith.

**Circular:** <https://www.sebi.gov.in/legal/master-circulars/jul-2023/master-circular-for-alternative-investment-funds-aifs-74796.html>

**Amendment:** [https://www.sebi.gov.in/sebi\\_data/attachdocs/1337599839661.pdf?QUERY](https://www.sebi.gov.in/sebi_data/attachdocs/1337599839661.pdf?QUERY)

### Validity period of approval granted by SEBI to Alternative Investment Funds (AIFs) and Venture Capital Funds (VCFs) for overseas investment (Applicability - Immediate Effect)

The above-mentioned SEBI Circular No. SEBI/HO/AFD/PoD/CIR/P/2023/137 dated August 04, 2023, has been circulated by SEBI concerning the validity period of approval granted by SEBI for overseas investment.

In this regard, you are hereby informed that for overseas investment approvals granted by SEBI subsequent to the issuance of this circular the allocated limit is to be efficiently utilised within four months.

**Learn more:** [https://www.sebi.gov.in/legal/circulars/aug-2023/validity-period-of-approval-granted-by-sebi-to-alternative-investment-funds-aifs-and-venture-capital-funds-vcfs-for-overseas-investment\\_74979.html](https://www.sebi.gov.in/legal/circulars/aug-2023/validity-period-of-approval-granted-by-sebi-to-alternative-investment-funds-aifs-and-venture-capital-funds-vcfs-for-overseas-investment_74979.html)

## STRUCTURED TRANSACTIONS HANDLED BY US!

### Following are the differently structured complex transactions handled by team Catalyst:

#### **Debenture Trustee deal:** Undertaken structured deals such as listed 'unsecured' to 'secured'

- The SEBI November 03 Circular mandates the creation of charge and execution of a Debenture Trust Deed with the Debenture Trustee before making the application for listing of debentures (T+3). It is arduous for issuers and Debenture trustees to comply with the procedural requirements in such stringent timelines.
- SEBI, by way of its Circular dated March 31, 2023 (formerly August 4, 2022) provided a manner in which an Issuer company who has listed debt securities proposes to change the security, create additional security, or convert unsecured debentures to secured debentures.
- The enhanced guidelines have created timelines within which once the charge is created in favour of the Debenture Trustee, the same must be registered with the relevant statutory authorities, i.e., the Registrar of Companies, CERSAI, depository etc., failing which, the same will be considered as a breach of the terms of the issue by the issuer. After the creation and registration of the charge, the issuer company and DT must also enter into a supplemental/ amended debenture trust deed including all the terms and conditions arising out of the due diligence carried out by the DT as well as of the security created by the issuer company.
- Reporting requirements on issuer companies however have been increased wherein they must submit to the depositories and stock exchanges a certain set of documents.

#### **Escrow Transaction:** Acquisition of the target SPV by purchase of shares -

The Seller and the Buyer were engaged in the business of solar power development. The Seller was engaged business of generation and sale/supply of solar power from the project setup by such Target SPV. Catalyst acted as Escrow Agent and performed all the escrow activities of Securities of the Target SPVs by transfer and sale of securities and also cash consideration.

# VOICES' BY CATALYST

## “Charting The Moon's Uncharted Territory: Chandrayaan-3's Remarkable Achievement”

~ An article by By- Lt Col Amol Awate(Veteran), IAS officer.



**“Lt Col Amol Awate(Veteran) is an IAS officer of the Gujarat Cadre with more than two decades of experience in various domains including Military Operations, Space Technology, and Administration.”**

At 18:25 on November 21, 1963, a rocket was launched into space from India, marking the inception of the Indian Space Program. However, amidst the extensive media attention on the assassination of US President JF Kennedy the subsequent day, news of this Indian accomplishment went unnoticed. Nevertheless, “Pragyan,” the rover of Chandrayaan-3 now resting in the lap of the lunar southern pole, was too pivotal to go unnoticed by prominent newspapers around the world, including The New York Times.

Today, India stands on the cusp of a momentous era, this landing speaks volumes about India's splendid capabilities in low-cost and reliable space programs. Chandrayaan-3 demonstrates complete proficiency in secure lunar landing and surface exploration. The mission encompasses a self-developed propulsion module, a lander module, and a rover, all designed to innovate and validate novel technologies essential for interplanetary journeys. In the last four years, four countries, including India, Japan, Israel, and Russia, attempted to land on the moon. A few days back, Russia's time-tested Luna-25 remained close to achieving its accomplishment.

India's unique distinction lies in being the trailblazer by achieving a lunar craft landing on the moon's southern pole. Navigating the polar expanse of the Moon poses formidable challenges. Certain zones within this region remain perpetually shrouded in darkness, untouched by the faintest glimmer of sunlight. The temperatures plummet to an astonishing -225 degrees Celsius. The combination of this profound obscurity and intense cold renders the operation of electronic devices exceedingly arduous. Adding to these difficulties, the southern pole is densely populated with expansive craters, some spanning thousands of kilometres.

Notably, Chandrayaan-1 made a significant breakthrough in 2008 by identifying water on the moon for the first time. The mission detected hydroxyl molecules scattered throughout the lunar terrain, with higher concentrations found at the poles. According to NASA, these molecules are vital for sustaining human life and can additionally serve as a valuable reservoir of hydrogen and oxygen, potentially used as propellants for rockets.

Having achieved functional reliability, commercial sustainability will centre around economic viability. While India has a substantial journey ahead to march along China's advancements, the figures from March 2022 indicate a notable discrepancy. China had claimed ownership of 13.6% of Earth's orbiting satellites, while India held a comparably modest share of 2.3%. Though, over the last two decades, India has successfully launched 431 satellites for 34 countries, solidifying its position as a preferred global destination for satellite launches. The burgeoning demand for high-speed internet services delivered from space has transformed satellite deployment into a lucrative industry. Projections by Ernst & Young anticipate that the international space

Projections by Ernst & Young anticipate that the international space economy, valued at \$450 billion in 2021, will snowball to \$600 billion by 2025.

Currently valued at \$8 billion, the Indian space market is growing at a Compound Annual Growth Rate (CAGR) of 4 per cent, outstripping the global average of 2 per cent. With its strategic trajectory of growth with governmental and private sector support, India's space economy could scale up to \$40 billion by 2040. This remarkable expansion is underpinned by various factors, including investments in a space station, a lunar mission involving humans, and defence applications.

Additionally, India's affordability and proven expertise in satellite and launch vehicle manufacturing position it as a preferred hub for global satellite operations. Moreover, it's important to acknowledge the strategic asymmetry brought about by the Ukraine war and the growing significance of India to Western nations and the US. The thriving space tech startup ecosystem across various sectors, including satellite applications, ground equipment, and launch vehicles, further propels this growth. The adoption of commercial satellite internet by diverse industries fuels the momentum.

Experts recommend several strategies to capitalize on this momentum. These include fostering widespread adoption of satellite internet services, harnessing existing strengths in satellite and launch vehicle manufacturing, and cultivating capabilities in areas such as space mining, in-space manufacturing, in-orbit servicing, space tourism, and space entertainment. Encouraging innovation in sustainable fuel, reusable spacecraft, and environmentally friendly technologies is also key. They suggest rigorous skill development initiatives in space engineering, satellite technology, and applications to expand the pool of skilled scientists and engineers primed to contribute to the space sector.

If successful, this trajectory could lead to the doubling of the space industry's contribution to India's GDP from 0.25 per cent to 0.5 per cent by 2040, potentially generating over 3 million additional jobs in the country. To achieve these ambitions, India can capitalize on existing and ongoing investments by establishing an inviting regulatory environment to attract foreign investment, reinforcing manufacturing capabilities with initiatives like production-linked incentives, and providing increased support to startups. Deepening partnerships with other space agencies and private companies, establishing dedicated research and development centres, and intensifying investments in skill development are also critical components to enhance the space sector's contribution to the Indian economy.

Proudly, the Chandrayaan-3 landing is an undeniably significant milestone. It not only sparks curiosity but also ignites a profound sense of exploration in every Indian. This achievement fosters a deep sense of pride and unity as we collectively celebrate India's space and technological capabilities. Furthermore, it will play a role in nurturing young minds toward conducive scientific inquiry and innovation. Additionally, this aligns with India's Space Policy 2023, which aims to enhance space capabilities with the goal of fostering a thriving commercial presence in space, leveraging space as a catalyst for technological advancement, and reaping associated advantages in related domains, all while actively fostering improved global relations.

## KNOWLEDGE SHARING!

**Did you know? Family offices can register and operate as Family Investment Fund (FIF) through IFSC-GIFT City, they can avail innumerable tax benefits and also invest overseas!! Read more about it...**

**GIFT City recently has been an appealing destination for family offices in India. GIFT City understanding the challenges of HNIs so far, provides family offices with a conducive environment to operate, grow and access opportunities. It operates under a separate regulatory framework, allowing for more flexibility and ease of doing business. The regulatory body in GIFT City i.e. the International Financial Services Centre Authority (IFSCA) provides a supportive ecosystem for financial institutions and investors.**

## What is FIF? - A Family Investment Fund is defined as a self-managed fund pooling money only from a single family.

The IFSCA, vide a circular dated March 01, 2023, has provided certain relaxations with respect to Family Investment Funds under the IFSCA (Fund Management) Regulations, 2022. FIF can not only pool money from individual members of a single family, but also from the entities in which the family exercises control and holds at least 90% economic interest, such as sole proprietorship firms, partnership firms, LLPs, trusts, companies, or corporate bodies.

- FIF can be set up as a company, trust (contributory trust only) LLP or any other form as may be permitted by the IFSC Authority from time to time.
- FIF should have and maintain a minimum corpus of \$ 10 million within a period of 3 years from the date of obtaining the certificate of registration.
- There is no requirement to maintain a minimum net worth at the FIF level
- The FIF could be an open-ended or close-ended scheme.
- Resident Individuals may invest in FIF up to USD 2,50,000 per year and Resident Entity may invest up to 50% of their net worth.

### FIF Permissible investment:

1. Securities issued by the unlisted entities;
2. Securities listed or to be listed or traded on stock exchanges in IFSC, India or foreign jurisdictions;
3. Money market instruments;
4. Debt securities;
5. Securitized debt instruments, which are either asset-backed or mortgage-backed securities;
6. Other investment schemes set up in the IFSC, India and foreign jurisdictions;
7. Derivatives including commodity derivatives;
8. Units of mutual funds and alternative investment funds in India and foreign jurisdictions;
9. Investment in Limited Liability Partnerships;
10. Physical assets like real estate, bullion, art, etc. or other securities or financial products/assets or instruments as specified by the Authority.

FIF shall seek registration as an 'Authorized FME'. This can be done by submitting the application form and the required fees as outlined in the Regulations. The certificate of registration of a family investment fund shall be valid for such period as may be specified by the IFSCA unless suspended, cancelled or surrendered by the family investment fund and taken on record by the IFSCA.

**Key Benefits:** If a family office or family investment fund decides to establish a presence in GIFT City. Here are some potential benefits:

### Tax incentives:

1. FIF would be entitled to a 100% income tax exemption for ten consecutive years out of fifteen years.
  2. FIF would be entitled to GST exemptions on services received by units in IFSC or provided to IFSC / SEZ units and offshore clients.
  3. FIF may be subject to MAT/AMT, as applicable, and the amount thus paid should be available as a credit in subsequent years. Also, TCS at 20% would be applicable from October 1, 2023, using LRS (subject to regulation) for investing in FIF.
- FIFs can tap into a wide range of investment opportunities across sectors such as infrastructure, real estate, technology, renewable energy, and more.
  - Setting up costs, administrative costs and ongoing operations are significantly lower compared to similar foreign jurisdictions.
  - GIFT City has a diverse community inclusive of financial institutions, technology companies, and professionals. Family investment funds can leverage this ecosystem to network, collaborate and access potential co-investment opportunities or partnerships.

**Catalyst as Trustee:** *Going by our hands-on experience in the trusteeship industry and being an integral part of this ecosystem, we will also be facilitating trusteeship services for FIF. To accommodate the expectations of the Family offices and regulators, we at Catalyst have set up a dedicated team inclusive of domain Expertise professionals, and legal experts to serve, support and provide solutions to the FIF setting up in the form of TRUST in GIFT City.*

## HIGHLIGHTS OF THE MONTH:

### Security Trustee deals:

| Sector                | No. of Transaction | Facility Amount (Cr.) |
|-----------------------|--------------------|-----------------------|
| Infrastructure Sector | 4                  | 1597                  |
| Renewable Sector      | 19                 | 14868                 |
| NBFC                  | 8                  | 3070                  |
| Others                | 8                  | 1466                  |
| Grand Total           | 39                 | 21,001                |

### Debenture Trustee deals:

| Sector              | No. of Transaction | Facility Amount (Cr.) |
|---------------------|--------------------|-----------------------|
| NBFC                | 28                 | 6502.7                |
| Real estate & Infra | 7                  | 4543                  |
| Energy Sector       | 6                  | 476.77                |
| Banking & Finance   | 11                 | 2788.39               |
| Manufacturing       | 3                  | 114                   |
| FMCG & Agro         | 3                  | 130                   |
| Others              | 5                  | 490                   |
| Grand Total         | 63                 | 15044.86              |

### Securitization deals:

| Asset Class                  | No. of Deals | Pool Size in Crores |
|------------------------------|--------------|---------------------|
| Commercial Vehicle Loans     | 4            | 2,825.37            |
| Education Institute loans    | 2            | 69.00               |
| Farm loans (Tractor Loans)   | 1            | 349.00              |
| Gold Loan                    | 1            | 56.00               |
| Housing Loans                | 2            | 73.97               |
| Hypothecated Loan Pool       | 1            | 70.00               |
| Loan Against Property        | 2            | 3,515.83            |
| Microfinance Loans           | 16           | 1,538.00            |
| Personal Loans               | 3            | 366.00              |
| Unsecured Business Loan      | 4            | 130.81              |
| Unsecured Small Finance Loan | 3            | 88.00               |
| Grand Total                  | 39           | 9,081.98            |

### Other deals:

| Category                | No. of Deals | Issue Size in Crores |
|-------------------------|--------------|----------------------|
| AIF Domestic            | 3            | 1,280                |
| AIF Gift City           | 2            | 9,330                |
| ESOP/EBT/Private Trusts | 1            | 10                   |
| Grand Total             | 6            | 10,620               |

Thanks and Regards, ~ Editorial team of Catalyst.

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