



BOB MUTUAL FUND

(Sponsor : Bank of Baroda)

105, Maker Chambers III, 10th Floor, Nariman Point, Mumbai 400 021



SPONSOR

BANK OF BARODA
H.O. Mandvi, BARODA

TRUSTEES

BOB MUTUAL FUND
105, Maker Chambers III, 10th Floor,
Nariman Point, Mumbai 400 021

INVESTMENT MANAGER

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**Issue of Units of Rs. 10/- per Unit for cash during the
Initial Offer and at NAV based prices subsequently**

**Initial Offer opens on : 14th August, 2003
Initial Offer closes on : 3rd September, 2003**

The Offer Document sets forth concisely information about the Schemes that a prospective investor ought to know before investing. The Offer Document should be read in its entirety before making an application for respective Schemes and should be retained for future reference.

DISCLAIMER

The Schemes particulars have been prepared in accordance with Securities And Exchange Board of India (SEBI) (Mutual Funds) Regulations 1996, as amended till date and filed with SEBI and the Units being offered for public subscription have not been approved or disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the Offer Document.

BOB MUTUAL FUND

Key Features	BOB Growth Fund	BOB Balance Fund
1. Type	Open ended Growth Fund	Open ended Balance Fund
2. Asset Allocation	75% to 100% =Equity related instruments 0% to 25% =Money Market Instruments & Debt Securities.	51% to 75% =Equity related instruments, 25% to 49% =Debt Securities & Money Market Instruments 0% to 15% =Securitized Debt.
3. Scheme Objective	To generate long-term capital appreciation from an actively managed portfolio and equity related securities.	To generate long-term capital appreciation along with stability through a well balanced portfolio of equity and debt.
4. Investment Horizon	Suitable to investors who seek to invest in equity securities.	Suitable for investors seeking long term capital appreciation and current income.
5. Net Asset Value	Calculated & declared on every Business Day	
6. Business Day	Any day other than a Saturday, Sunday or any day on which Banks/RBI in Mumbai or the National Stock Exchange or The Stock Exchange, Mumbai are not required or obliged by law or Executive Order to remain closed for business including the occasions when the functioning of Banks/RBI is affected due to a strike call made by a recognised Union/Management in any part of the country and a day on which the sale and redemption of units is suspended by the Trustees/AMC.	
7. Option	1) Growth Plan 2) Dividend Plan	
8. Default Option *	Growth	
9. Minimum Subscription	Rs.3000/- (in multiples of Rs.1000 thereafter)	
10. Entry Load ** (For Initial Offer)	For an amount of investment upto Rs.25 Lac	1.50%
	For an amount of investment above Rs. 25 Lac upto Rs. 1 Crore	1.00%
	For an amount of investment above Rs. 1 Crore	0.50%
11. Exit Load	NIL	
12. Redemption #	Within 3 Business Days	
13. Cut off time: Purchase Redemption	2.00 p.m.	
14. Systematic Investment Plan (SIP)	Monthly: Minimum Rs.5,00 + 6 month postdated cheque Quarterly: Minimum Rs.1,500 + 2 Quarter postdated cheque	
15. Systematic Withdrawal Plan (SWP)	Available	
16. Switch Facility	Available	
17. Tax Benefits	Tax free dividend, Capital Gains Tax and Indexation benefits.	
18. Investment by Religious & Charitable Trust @	Units of BOB Growth Fund & BOB Balance Fund are declared as Public Security.	
19. Nomination Facility	Available	
20. Recurring Expenses ***		
	Investment Management Expenses	1.25%
	Other recurring expenses	1.25%
	<u>2.50%</u>	<u>2.50%</u>
	2.50%	2.50%

* In case, the investor has not selected the option/sub option for his investments, default option/sub option as prescribed in the offer document of the relevant scheme will be applied.

** The Trustees reserves the right to change/modify the load structure at a later date for the schemes.

*** Investors are requested to read the section on "Expenses" elsewhere in this application form. The recurring expenses indicated above may change subject to ceilings under the Regulation.

As per Regulations, the Fund shall dispatch redemption proceeds within 10 Business days of receiving the redemption request. Investors are advised to refer to the sections titled Suspension of Sale / Redemption / Switching options of the Units and Right to Limit Redemption

@ Government of Maharashtra has granted its approval to declare units issued under the above Schemes as "Public Security" under Mumbai Public Trust Act, 1950.

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1. RISK FACTORS

These risk factors may be peculiar to the Mutual Fund as well as that attendant with specific policies and objectives of the Schemes.

Standard Risk Factors

- i. Mutual funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Mutual Fund will be achieved.
- ii. As with any investments in securities, the Net Asset Value (NAV) of the units of the Schemes can go up as well as down depending on the factors and forces affecting securities markets.
- iii. Past performance of the Sponsor/the Asset Management Company/Mutual Fund does not indicate the future performance of the Schemes of the Mutual Fund.
- iv. The names of the respective Schemes do not in any manner indicate either the quality of the Schemes, or their future prospects and returns.

Note:

- i. Investors in the Schemes are not being offered a guarantee or assured rate of return.
- ii. Prospective investors should refer to the Offer Document carefully and in its entirety and consult their legal, tax and financial advisers to determine possible legal, tax, financial or other consequences of subscribing, purchasing or holding units before making an application for units.
- iii. Any information or representation concerning BOB Mutual Fund or the schemes, which is inconsistent with what has been set out herein, is unauthorised.
- iv. Any change made in the Offer Document is subject to SEBI approval or approval of unitholders as may be prescribed under the SEBI Regulations from time to time.

BOB GROWTH FUND

(Open Ended Growth Scheme)

Highlights

- BOB Growth Fund is an open-ended growth scheme from BOB Mutual Fund (BOBMF)
- BOB Mutual Fund is sponsored by Bank of Baroda, one of the largest public sector banks of the country. BOB Asset Management Company Limited (BOBAMC) is the Investment Manager to the Scheme.
- The scheme is targeted for long-term capital appreciation through a well researched portfolio comprising of equity, equity related instruments and money market instruments.
- Transparency of operations i.e. daily determination of NAV, sale price, redemption price and full disclosure of investment portfolio periodically
- Tax benefits under the Income Tax Act, 1961, as amended from time to time.
- Choice of Growth Plan, Dividend Plan and Dividend Re-investment Plan
- Facility of Systematic investment and withdrawal available.
- Assured allotment to all applicants.

Scheme Specific Risk Factors

- i. All financial investments carry market and other risks and there is no assurance that the objectives of the scheme will be achieved.
- ii. The Sponsor is neither responsible nor liable for any loss resulting from the operation of the scheme beyond the initial contribution of Rs. 10 Lac made by it towards the corpus of the Fund.
- iii. The liquidity of the scheme's investments may be restricted by trading volumes, settlement periods and transfer procedures. In the event of inordinately large number of redemption requests or of a restructuring of the scheme's portfolio, the time taken by the BOBMF for redemption of BOB Growth Fund units may be adversely affected. Please see "Right to Limit Redemptions" of BOB Growth Fund as mentioned in clause 15(iv) herein below.
- iv. Subject to the availability and permissibility, the funds of the scheme may be deployed for derivative transactions, which may entail risks, which could limit any potential gain by, increase or decrease in value of the position hedged. Further, exposure to derivatives in excess of hedging requirements could lead to losses.
- v. Credit Risk: In simple terms this risk means that the issuer of a debenture/bond or a money market instrument may default on interest payment or even in paying back the principal amount on maturity. Even where no default occurs, the price of a security may go down because the credit rating of an issuer goes down. It must be however noted that where the scheme has invested in government securities, there is no credit risk in respect of the same.

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- vi. Reinvestment Risk: This risk refers to the interest rate levels at which cash flows received from the securities in the scheme are reinvested. The additional income from reinvestment is the "interest on interest" component. The risk is that the rate at which interim cash flows can be reinvested may be lower than that originally assured.
- vii. Liquidity of the scheme may suffer if the guidelines issued by RBI or any other regulatory body applicable to liquid funds undergo any major changes.
- viii. Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risks, in comparison to securities that are listed on the exchanges or offer other exit options to investors, including a put option. The AMC may choose to invest in unlisted securities that offer attractive yields. This may increase the risk of the portfolio
- ix. As zero coupon securities do not provide periodic interest payments to the holder of the security, these securities are more sensitive to changes in interest rate hence the risk of zero coupon securities is higher. The AMC may choose to invest in zero coupon securities that offer attractive yields. This may increase the risk of the portfolio
- x. From time to time and subject to the regulations, any unitholder or the Sponsor, investment companies of the Sponsor, funds managed by the Sponsor, their affiliates, associate companies, subsidiaries, the AMC and the Trustee Company may acquire a substantial portion of the units of the Scheme and collectively constitute a major investor in the scheme. Accordingly, redemption of units by such entities may have an adverse impact on the units of the scheme because the timing of such redemption may impact the ability of other unitholders to redeem their units.
- xi. The AMC, on behalf of the respective Plans, may also invest in Government Securities issued by G-7 nations and other Foreign Governments as and when permitted by the concerned regulatory authorities in India.
- xii. The Scheme may also invest in overseas financial assets as may be permitted by the concerned regulatory authorities in India. To the extent that the assets of the Scheme will be invested in securities dominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investments.

BOB BALANCE FUND

(Open Ended Balance Scheme)

Highlights

- BOB Balance Fund is an open-ended Balance scheme from BOBMF.
- BOB Mutual Fund is sponsored by Bank of Baroda, one of the largest public sector banks of the country. BOB Asset Management Company Limited is the Investment Manager to the Scheme.
- The scheme is targeted for long term capital appreciation along with stability through a well Balance portfolio comprising of equity, equity related instruments, highly rated debt portfolio and money market instruments
- Transparency of operations i.e. daily determination of NAV, sale price, redemption price and full disclosure of investment portfolio periodically
- Tax benefits under the Income Tax Act, 1961 as amended from time to time.
- Choice of Growth Plan, Dividend Plan and Dividend Re-investment Plan
- Facility of systematic investment and withdrawal available
- Assured allotment to all applicants

Scheme Specific Risk Factors

- i. All financial investments carry market and other risks and there is no assurance that the objectives of the scheme will be achieved.
- ii. The Sponsor is neither responsible nor liable for any loss resulting from the operation of the scheme beyond the initial contribution of Rs. 10 lac made by it towards the corpus of the Fund.
- iii. The liquidity of the scheme's investments may be restricted by trading volumes, settlement periods and transfer procedures. In the event of inordinately large number of redemption requests or of a restructuring of the Scheme's portfolio, the time taken by the BOBMF for redemption of BOB Balance Fund may be adversely affected. Please see "Right to Limit Redemptions" of BOB Balance Fund as appearing in clause 15(iv) herein below.
- iv. Subject to the availability and permissibility, the funds of the Scheme may be deployed for derivative transactions, which may entail risks, which could limit any potential gain by, increase or decrease in value of the position hedged. Further, exposure to derivatives in excess of hedging requirements could lead to losses.
- v. The Scheme may also invest in overseas financial assets as may be permitted by the concerned regulatory authorities in India. To the extent that the assets of the Scheme will be invested in securities dominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the applicable restrictions on investments.

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2. DEFINITIONS

BOBAMC or Investment Manager or Asset Management Company (AMC) Mutual Fund or BOBMF	BOB Asset Management Company Limited BOB Mutual Fund, constituted under Trust Deed and sponsored by Bank of Baroda
NAV	The Net Asset Value of the Schemes calculated and published in the manner provided in this Offer Document
Applicable NAV	In case of BOB Growth Fund and BOB Balance Fund, NAV for Sale/Repurchase as the context may require, in respect of any application received before 2.00 p.m. on any Business Day, subject to it being complete in all respects, shall be the NAV at the close of that business day, subject to applicable load, if any, of the respective Plan. Any application for sale/repurchase received after 2.00 p.m. on a business day shall be deemed to be received as of next business day and the applicable NAV will be the NAV calculated at the end of the next business day, subject to applicable load, if any, of the respective Plan. The AMC reserves the right to change the timings and the same may be different for the each investor service centre and for respective plan.
Offer Document	This Offer Document through which units of BOB Growth Fund and BOB Balance Fund are being offered for subscription.
Registrar and Transfer Agents (R&T Agent) and Registrars to the Schemes	Karvy Consultants Ltd
Schemes	BOB Growth Fund and BOB Balance Fund are collectively referred to as "the schemes" and individually, where as the context so permits, as "the scheme".
SEBI	Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Regulations or Regulations	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended from time to time including all SEBI notifications, guidelines and circulars issued by SEBI from time to time relating to mutual funds.
Sponsor	Bank of Baroda
Trustees, Trustee Company or Board of Trustees	The Board of Trustees of BOB Mutual Fund
Trust Deed	The Trust Deed dated 30th October, 1992
Units	The Units which are offered for subscription under this Offer Document
Unitholder	A person holding units of the scheme(s)
Business Day/Working Day	Any day other than a Saturday, Sunday or any day on which Banks/RBI in Mumbai or the National Stock Exchange or The Stock Exchange, Mumbai are not required or mandated by law or Executive Order to remain closed for business including the occasions when the functioning of Banks/RBI is affected due to a strike call made by a recognised Union/Management in any part of the country and a day on which the sale and redemption of units is suspended by the Trustees/AMC.
Custodian	Deutsche Bank A G, Mumbai
Government Securities/Gilts	Securities created and issued by the Central Government and/or a State Government (including Treasury Bills) or Government Securities as defined in the Public Debt Act, 1944, including any amendments/clarifications and guidelines or circulars issued in relation thereto.
Repo/Reverse Repo	Sale/Purchase of Government securities with simultaneous agreement to repurchase/resell them at a later date.
RBI	Reserve Bank of India, established under the Reserve Bank of India Act, 1934

3. EXPENSES

- (a) Unitholder Transaction Expenses or Load
- | | |
|--|---------------------------|
| i) Maximum Sales Load imposed on purchases | 7% (as percentage of NAV) |
| ii) Maximum Redemption/Repurchase Load | 7% (as percentage of NAV) |

Note:

- 1) The difference between the repurchase price and the sale price of the Units shall not exceed 7% calculated on the Sale Price.
- 2) The actual sale/redemption load to be charged will be at such rates as may be decided by the Trustees from time to time, subject to maximum limits stated above.

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b) Initial Issue Expenses

- i) The total initial issue expenses charged to the Scheme will not exceed 1.50% of the initial resources raised under BOB Growth Fund and BOB Balance Fund. However, the said limit is subject to the following :

Amount of Investment	% of Initial Issue Expenses
For an amount of investment upto Rs. 25 Lac Thus for every Rs. 100 contributed by the investor, Rs. 98.50 will be available for investment by the scheme.	1.50%
For an amount of investment above Rs. 25 Lac upto Rs. 1 Crore Thus for every Rs. 100 contributed by the investor, Rs. 99.00 will be available for investment by the scheme.	1.00%
For an amount of investment above Rs. 1 Crore Thus for every Rs. 100 contributed by the investor, Rs. 99.50 will be available for investment by the scheme.	0.50%

Any excess beyond 1.5% shall be borne by the Asset Management Company.

The Fund will strive to keep the initial issue expense well below the maximum limit specified above. The fund estimates the initial issue expenses as follows:

Expenses	Estimated % of Amount mobilised
Advertisement & Publicity	0.25%
Commission and brokerage	0.75%
Printing & Postage charges	0.25%
Other Expenses	0.25%
Total	1.50%

- ii) Initial issue expenses for the schemes launched during last one fiscal year: The three schemes viz. BOB Income Fund, BOB Gilt Fund and BOB Liquid Fund were launched in the year 2002. All the Initial issue expenses for the same were borne by BOBAMC, details of which are as follows:

Expenses	BOB Income	BOB Gilt	BOB Liquid
Advertisement and publicity	169518.58	169518.58	169518.59
Commission and brokerage	462661.20	384175.76	34100.00
Printing and postage	919894.21	919894.21	919894.21
Other expenses	1550002.23	1549455.22	1548948.21
Total	3102076.22	3023043.77	2672461.01

(c) Ongoing basis

For ongoing subscriptions, units will be offered to investors at NAV based prices. Subscription requests received on any working day will be priced at applicable NAV.

A maximum entry load of 2.5% of the applicable NAV for purchase of Units on an ongoing basis will be charged to the Unitholders. Current entry load is 1.5% of the applicable NAV. At present there is no exit load. Subject to regulations, the Trustees of BOBMF have the right to change/modify the load structure, with prospective effect, at a later date. Any change in the load structure will be applicable to all prospective investments. The applicable load as a percentage of NAV will be added to NAV to calculate sale price and will be subtracted from NAV to calculate repurchase price. This is explained as follows:

Sale price = Applicable NAV (1+ Sales Load, if any)

Repurchase price = Applicable NAV (1- Exit Load, if any).

If the applicable NAV is Rs. 10; sales/entry load is 2% and the exit/repurchase load is 2% then sales price will be Rs. 10.20 and the repurchase price will be Rs. 9.80

d) Contingent Deferred Sales Load (CDSL)

Under the Regulations, the Fund can charge CDSL to Unitholders exiting from the Schemes within 4 years of entry (up to 4% for redemptions in the first year, up to 3% for redemptions in the 2nd year, up to 2% for redemptions in the 3rd year and up to 1% for redemptions in the 4th year). The CDSL is intended to enable the AMC to recover expenses incurred for the promotion or propagation of the Scheme which otherwise the Unitholders may have had to bear, had it been a Load Scheme. Under the Schemes, the AMC reserves the right to charge CDSL when the units are redeemed either by redemption or by switching from one option to the other as permitted by the Regulations. At present there is no CDSL. However the AMC reserves the right to charge / change CDSL at a later date, which shall be applicable on prospective investment only. The investors will be advised of change/change of CDSL by the AMC through Press Release or advertisement in the newspaper. The AMC will also inform the Investor Service Centres about the introduction or change in CDSL. The applicable charge shall also be disclosed on the Account Statement issued to Investors, after introduction of such change.

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e) Use of Load

All the load (including CDSL) will be used, in whole or in part, by BOBAMC for providing distribution and redemption related services to the Schemes including expenses relating to the sale, promotion and marketing of the Units, payments to agents/brokers for their services in connection with the distribution of the Units, postage, application processing, disseminating NAV related information etc. All loads for the Schemes shall be maintained in a separate account. Excess sales/ redemption load collected from ongoing sales/redemption/ repurchase may be returned to the Schemes, whenever felt appropriate by BOBAMC.

f) Fees

Investment management fees charged by BOBAMC shall be 1.25% of the average weekly net asset for net assets upto Rs. 100 crores. Further under SEBI Regulations for schemes launched on a "no load" basis, the AMC is entitled to collect an additional management fee not exceeding 1% of the weekly average net assets outstanding in each financial year. As and when additional management fees are collected the same shall be chargeable till the actual initial issue expenses borne by the AMC limited to the maximum extent of 6% of initial mobilisation are recovered. The AMC may at its sole discretion from time to time charge fees lower than the prescribed rate. The AMC may also charge further fees as may be permitted from time to time under Regulations.

g) The total ongoing recurring expenses permitted by SEBI are as follows:

On the first Rs. 100 Crore	:	2.50% of the average weekly net assets outstanding during the accounting year.
On the next Rs. 300 Crore	:	2.25% of the average weekly net assets outstanding during the accounting year.
On the next Rs. 300 Crore	:	2.00% of the average weekly net assets outstanding during the accounting year.
On the balance	:	1.75% of the average weekly net assets outstanding during the accounting year.

The Fund will strive to reduce the level of expenses so as to keep them well within the maximum limits allowed by SEBI. Presently the Fund estimates the recurring expenses as follows:

Investment Management & Advisory Fee	1.25%
Marketing & Selling Expenses including Agents Commission	0.60%
Custodian & Registrar & Transfer Agent Fee	0.30%
Other Expenses *	0.35%
Total	2.50%

* Other Expenses includes:

- a) Costs related to investor communications
- b) Cost of providing account statements and dividend/ redemption /repurchase warrants
- c) Costs of Statutory Advertisements
- d) Other miscellaneous Expenses

The expenses as aforesaid are subject to inter change and may increase/decrease as per actual and/or any change in the regulations that takes place from time to time. The purpose of above table is to assist the investor in understanding the various costs and expenses that an investor in the Schemes would have to bear directly or indirectly. The above estimates have been made in good faith as per information available to the AMC and the total expenses may vary from the estimates. The total expenses of the Schemes including the investment management and advisory fee shall be within the limits stated in SEBI Regulation 52(6).

4. CONDENSED FINANCIAL INFORMATION

a) **BOB ELSS'95:**

Date of allotment	31.03.1995		
Historical Per Unit Statistics	2000-2001	2001-2002	2002-2003
NAV at the beginning of the year (Rs.)	9.94 (06.04.2000)	6.71 (04.04.2001)	7.48 (03.04.2002)
Net Income per unit (Rs.)	(3.93)	0.51	(0.44)
Dividends	Nil	Nil	Nil
Transfer to reserves (if any)	Nil	Nil	Nil
NAV at the end of the year (Rs.)	6.87	7.40	Nil
Annualised return (%) (Compounded)	(6.07)	(4.21)	(4.38)
BSE Sensex CAGR (%)	1.68	0.89	(0.84)
Net Assets at the end of period (Rs. Crore)	15.21	15.57	13.52
Ratio of recurring expenses to average net assets	2.35%	2.41%	2.42%

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b) BOB ELSS'96:

Date of allotment 31.03.1996

Historical Per Unit Statistics	2000-2001	2001-2002	2002-2003
NAV at the beginning of the year (Rs.)	17.27 (03.04.2000)	9.91 (02.04.2001)	10.87 (01.04.2002)
Net Income per unit (Rs.)	(7.06)	0.57	(1.24)
Dividends	10%	Nil	Nil
Transfer to reserves (if any)	Nil	Nil	Nil
NAV at the end of the year (Rs.)	10.19	10.23	9.57
Annualised return (%) (Compounded)	5.69*	5.48*	3.32*
BSE Sensex CAGR (%)	1.37	0.50	(1.41)
Net Assets at the end of period (Rs. Crore)	4.06	2.13	1.70
Ratio of recurring expenses to average net assets	2.45%	2.44%	2.28%

*Considering dividend declared during the years

c) BOB ELSS'97

Date of allotment 31.03.1997

Historical Per Unit Statistics	2000-2001	2001-2002	2002-2003
NAV at the beginning of the year (Rs.)	11.89 (06.04.2000)	8.04 (04.04.2001)	10.28 (03.04.2002)
Net Income per unit (Rs.)	(5.22)	2.25	(1.37)
Dividends	Nil	Nil	Nil
Transfer to reserves (if any)	Nil	Nil	Nil
NAV at the end of the year (Rs.)	8.12	10.23	8.92
Annualised return (%) (Compounded)	(2.82)*	1.98*	(0.47)*
BSE Sensex CAGR (%)	1.76	0.64	(1.61)
Net Assets at the end of period (Rs. Crore)	0.95	1.08	0.85
Ratio of recurring expenses to average net assets	2.32%	2.38%	2.45%

*Considering dividend of 8% declared in March '2000

d) BOB INCOME FUND

Date of allotment 21.03.2002

Historical Per Unit Statistics	2001-2002	2002-2003
NAV at the beginning of the year (Rs.)		
(Dividend Plan)	-	10.0416
(Growth Plan)	-	10.0416
Net Income per unit (Rs.)	0.039	0.86
Dividends	Nil	Nil
Transfer to reserves (if any)	Nil	Nil
NAV at the end of the year (Rs.)		
(Dividend Plan)	10.0394	10.6504
(Growth Plan)	10.0394	10.6497
Annualised return (%) (Compounded)		
(Dividend Plan)	0.39#	6.32
(Growth Plan)	0.39#	6.08
CRISIL Composite Bond Fund Index	N.A.	N.A.
Net Assets at the end of period (Rs. Crore)	8.22	8.20
Ratio of recurring expenses to average net assets	0.04%**	2.22%

** The recurring expenses are for a period starting from 25/03/2002 to 31/03/2002

Not annualised since the scheme in existence for less than one year.

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BOB INCOME FUND – (Short Term Plan)

Date of allotment		5.12.2002
Historical Per Unit Statistics		2002-2003
NAV at the beginning of the year (Rs.)	(Dividend Plan)	-
	(Growth Plan)	-
Net Income per unit (Rs.)		0.242
Dividends		Nil
Transfer to reserves (if any)		Nil
NAV at the end of the year (Rs.)	(Dividend Plan)	10.2257
	(Growth Plan)	10.2257
Annualised return (%) (Compounded)	(Dividend Plan)	2.26#
	(Growth Plan)	2.26#
CRISIL Composite Bond Fund Index		
Net Assets at the end of period (Rs. Crore)		59.93
Ratio of recurring expenses to average net assets		0.32%**

** The recurring expenses are for a period starting from 5/12/2002 to 31/03/2003

Not annualised since the plan is in existence for less than one year.

e) BOB GILT FUND

Date of allotment		21.03.2002	
Historical Per Unit Statistics		2001-2002	2002-2003
NAV at the beginning of the year (Rs.)	(Dividend Plan)	-	10.0337
	(Growth Plan)	-	10.0337
Net Income per unit (Rs.)		0.029	0.138
Dividends		Nil	Nil
Transfer to reserves (if any)		Nil	Nil
NAV at the end of the year (Rs.)	(Dividend Plan)	10.0320	10.1063
	(Growth Plan)	10.0320	10.1049
Annualised return (%) (Compounded)	(Dividend Plan)	0.32#	1.02
	(Growth Plan)	0.32#	1.03
I Sec Mi-BEX			N.A.
Net Assets at the end of period (Rs. Crore)		7.61	12.13
Ratio of recurring expenses to average net assets		0.03%**	1.54%

** The recurring expenses are for a period starting from 25.03.2002 to 31.03.2002

Not annualised since the scheme is in existence for less than one year.

f) Scheme: BOB LIQUID FUND

Date of allotment		21.02.2002	
Historical Per Unit Statistics		2001-2002	2002-2003
NAV at the beginning of the year (Rs.)	(Dividend Plan)	-	10.0171
	(Growth Plan)	10.0761	
Net Income per unit (Rs.)		0.068	0.725
Dividends		0.53%	0.75%
Transfer to reserves (if any)		Nil	Nil
NAV at the end of the year (Rs.)	(Dividend Plan)	10.0152	10.6915
	(Growth Plan)	10.0741	10.8148
Annualised return (%) (Compounded)	(Dividend Plan)	0.68*#	7.97*
	(Growth Plan)	0.74*#	7.93*
CRISIL Liquid Fund Index		N.A.	
Net Assets at the end of period (Rs. Crore)		43.05	81.84
Ratio of recurring expenses to average net assets		0.03%**	0.83%

*Considering dividend declared during the years

Not annualised since the scheme is in existence for less than one year.

** The recurring expenses are for a period starting from 25/03/2002 to 31/03/2002

BOB MUTUAL FUND

Condensed Financial Information (Unaudited) for the period 01.04.2003 to 16.07.2003

	BOB ELSS '95	BOB ELSS '96	BOB ELSS '97
NAV at the beginning of the year (Rs.) (01-4-2003)	6.99	9.57	8.92
Net Income per unit (Rs.)	—	—	—
Dividends	—	—	—
Transfer to reserves (if any)	—	—	—
Net Assets at the end of period (Rs. Crore)	14.33	1.84	0.94
NAV as on 16-07-2003 (Rs.)	9.44	13.04	11.89
CAGR (%) (Compounded)	(0.69)	6.70*	3.86*
BSE Sensex CAGR (%) (16-07-2003)	1.61	1.38	1.63

*Considering dividend paid by the scheme

	BOB Income Fund	BOB Gilt Fund	BOB Liquid Fund	BOB Income Fund (Short Term Plan)
NAV at the beginning of the year (Rs.) (01-04-2003)				
(Dividend Plan)	10.6519	10.1165	10.6934	10.2278
(Growth Plan)	10.6513	10.1150	10.8168	10.2278
Net Income per unit (Rs.)	—	—	—	—
Dividends	—	—	0.0750	—
Transfer to reserves (if any)	—	—	—	—
Net Assets at the end of period (Rs. Crore)	12.27	10.37	104.04	10.37
NAV as on 16-07-2003 (Rs.)				
(Dividend Plan)	10.8030	10.3430	10.8670	10.4477
(Growth Plan)	10.8024	10.3415	10.9924	10.4092
CAGR (%) (Compounded)				
(Dividend Plan)	6.03	2.59	7.01*	4.48#
(Growth Plan)	6.02	2.58	6.99	4.09#
CRISIL Composite Bond Fund Index	—	—	—	10.40

*Considering dividend paid by the scheme

Not annualised since the plan is in existence for less than one year.

5. CONSTITUTION OF THE MUTUAL FUND

BOB Mutual Fund has been established and set up as a Trust under the Indian Trusts Act, 1882 by Bank of Baroda (Sponsor) and registered with SEBI. The objective of establishing BOBMF is to undertake Mutual Fund business as permitted by relevant regulatory authority.

The functions and responsibilities of various constituents of BOBMF namely Sponsor, Trustees, Asset Management Company and Custodian are as under:

(i) Sponsor - Bank of Baroda

Bank of Baroda, a Body Corporate constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and having its Head office at Mandvi, Baroda and Central Office at Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Bandra (East) Mumbai - 400 051, is the Settlor of BOBMF. The Sponsor has contributed a sum of Rs. 10 Lac towards setting-up of BOBMF. The Sponsor is not responsible or liable for any loss resulting from the operation of the Schemes beyond the initial contribution of the said sum of Rupees Ten Lac made by it towards setting up of BOB Mutual Fund.

Bank of Baroda was established in July 1908 by visionary Maharaja - Sir Sayajirao Gaikwad III. During the period since inception, it has always maintained its practice of sound value based banking to emerge as one of the premier public sector banks of the country today. It has a track record of uninterrupted profits since the inception in 1908. The financial strength of the Bank and its long traditions of efficient customer service are drawn substantially from the extensive reach of its 2,641 strong branch network (as of 31.03.2002) covering almost every State and Union Territory in the Country. The Bank is also one of the few Indian Banks with a formidable presence overseas with 38 branches. Thus, the total branch network is 2753 as at 31.03.2003

To diversify its business activities and to perform specialised functions, the Bank has following Subsidiaries in India:

Name of the Subsidiary	Principal Business
BOB Asset Management Company Ltd.	Investment Manager to BOB Mutual F und
BOB Capital Markets Ltd.	Merchant Banking & Primary Dealership in Govt. Securities
BOB Cards Ltd.	Credit Card Operations
BOB Housing Finance Ltd.	Housing Finance

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The financial performance of the Sponsor during the last 3 years is as under:

(Rupees in Crore)

Particulars	2002-2003	2001-2002	2000-2001
Total Income	7359	6949	6464
Total Expenditure	5643	5639	5427
Operating Profit	1716	1309	1036
Profit After Tax	773	546	301
Global Deposits	66366	61804	53986
Global Advances	35348	33663	27421
Capital Adequacy Ratio (%)	12.65	11.32	12.74
Paid-up Capital	394	294	294
Reserves & Surplus	4093	3533	3062
Networth	4125	3555	3079
Earning Per Share (in Rs.)	26.11	18.44	10.23
Book Value per Share (in Rs.)	139.36	120.09	104.05
Dividend paid %	60	40	40

(ii) Board of Trustees

The Board of Trustees will supervise the functions of Asset Management Company and the Trustees shall ensure that the AMC complies with the SEBI (Mutual Funds) Regulations, 1996. The address of BOB Mutual Fund is as under:

105, Maker Chambers III,
10th floor, Nariman Point,
Mumbai 400 021

BOARD OF TRUSTEES

Name	Occupation	Residential Address	Directorship
R. L. Baxi	Retired General Manager New India Assurance Company Ltd.	C – 23/24, Modinagar Adarsh Co-op Soc., Off Mathuradas Road, Kandivali (West), Mumbai - 400 067	GIC Housing Finance Ltd. GIC AMC Ltd.
Arun C. Vakil	Economist, Consultant	14/B, 96 – Kalpana Co-op. Hsg. Soc., Marine Lines, Mumbai – 400 002	Indo-American Society
R.V. Iyer	General Manager (Recy., MA & Legal) Bank of Baroda, Central Office, Mumbai	15/87, Dharmakrupa, Garodianagar, Ghatkopar (East), Mumbai – 400 077	BOB Capital Markets Ltd.
V.H. Bhatia	Retired General Manager Bank of Baroda	101, Cypress Woods, 1st Floor, 16 Road, Near Shivsagar, Bandra (W) Mumbai 400 050	Nil

Rights, Duties and Responsibilities of the Trustees

As per the Trust Deed and the SEBI (Mutual Funds) Regulations, 1996, the Trustees have several rights, duties and responsibilities including the following:

- (a) In carrying out his responsibilities as a member of the Board of Trustees of BOBMF, the individual trustee shall maintain an arm's length relationship with other companies or institutions or financial intermediaries or any body corporate with which he may be associated in any capacity.
- (b) A member of the Board of Trustees shall not participate in the meetings of the Board of Directors of BOB Asset Management Company Ltd. or in any decision making process in respect of any investments in which he may be deemed to be interested.
- (c) All the Trustees shall furnish to the Board of Trustees or Trustee Company particulars of interest which he may have in any other Company, or institution or financial intermediary or any corporate by virtue of his position as director, partner or with which he may be associated in any other capacity.

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- (d) The Trustees shall take into their custody or under their control all the capital and other property of the Schemes of BOBMF and shall hold it in trust for the Unitholders.
- (e) The Trustees shall ensure that BOBAMC has:
 - (1) Systems in place for back office, dealing room and accounting
 - (2) Appointed key personnel including fund manager(s) for the Schemes and submitted their bio-data, which shall contain their educational qualifications and past experience in the securities market with the Trustees, within fifteen days from their appointment.
 - (3) Appointed auditors to audit its accounts
 - (4) Appointed compliance officer to comply with regulatory requirement and to redress investor complaints.
 - (5) Appointed registrars and laid down parameters for their supervision.
 - (6) Prepared compliance manual and designed internal control mechanisms including internal audit systems.
 - (7) Specified norms for appointment of brokers and marketing agents.
- (f) The trustees shall supervise the collection of any income due to be received by the Trust or any scheme thereunder and for claiming any refund of taxes and shall hold any income received in trust for the Unit holders in accordance with the Trust Deed and the guidelines issued by SEBI from time to time.
- (g) It shall be the duty of the trustees to act in the best interest of unitholders and provide or cause to be provided to the unitholders and SEBI such information as may be required by the unitholders and SEBI from time to time.
- (h) The trustees shall take reasonable care to ensure that the funds under the respective schemes are managed by the AMC in accordance with the Trust Deed and SEBI regulations.
- (i) The trustees may dismiss the AMC under certain specific events only in accordance with SEBI Regulations.
- (j) The trustees are required to appoint a custodian and are responsible for the supervision of its activities in relation to the Mutual Fund and are required to enter into a Custodian Agreement with the custodian for this purpose.
- (k) The trustees shall ensure that the transactions concerning the fund are in accordance with the Trust Deed and the Regulations.
- (l) The Trustees shall not acquire or allow the Asset Management Company to acquire any asset out of Trust Fund, which involves assumption of unlimited liability or results in encumbrance of Trust Fund.
- (m) The Trustees shall be bound to make such disclosures to unitholders as are essential in order to keep them informed about any information which may have an adverse bearing on their investments.
- (n) The Trustees shall abide by the code of conduct specified in the Regulations.
- (o) The Trustees may, with the prior approval of SEBI and the unitholders (in case the interest of the unitholders is affected), amend the Trust Deed.
- (p) The Trustees will call for a meeting of the unitholders of the Schemes, as required by the Regulations for the time being in force, whenever it is required by SEBI to do so in the interest of the unitholders or if the Trustees determine to modify the schemes or prematurely redeem the units or wind up the schemes.
- (q) If any difficulty arises in giving effect to the provisions of the schemes, the trustees may do anything not inconsistent with such provisions, subject to the Regulations, which appear to them to be necessary, desirable or expedient, for the purpose of removing such difficulty.

The Trustees of BOB Mutual Fund seek to supervise the role of BOBAMC through the reporting mechanism calling for compliances of SEBI (MF) Regulation 1996 and the investment policy of BOBMF. The investment policy also incorporates guidelines and restrictions to be followed by the Investment Manager. Any deviations from the investment policy, such as scripwise investment limits, brokerwise businesses etc. are reported for ratification by the Trustees of BOBMF. The compliance of SEBI Regulations as is required by the compliance manual of BOBMF is reported by the Managing Director of Investment Manager on a bi-monthly & half-yearly basis to the Trustees. The Investment Manager also files a quarterly report on its activities with the Trustees. The Trustees have held 8 meetings during the period April '2002 to March '2003. The Trustees have formed an Audit Committee of the Trustees to review the internal audit system of BOB Mutual Fund and the recommendations of the internal and statutory audit reports and to ensure that the rectifications as suggested by internal and external auditors are acted upon. The committee is chaired by an Independent Trustee.

Trusteeship Fees

The non-associate trustees of BOBMF are paid trusteeship fees of Rs. 2,500/- for every meeting of Board of Trustees attended by them.

(iii) BOB Asset Management Company Ltd.

An Asset Management Company by the name of BOB Asset Management Company Limited (BOBAMC) has been incorporated under the provisions of the Companies Act, 1956. This is a wholly owned subsidiary company of Bank of Baroda with paid-up share capital of Rs. 20 Crore (Rupees Twenty Crore). The net worth of BOBAMC as on 31.3.2003 is Rs. 25.55 Crore. As per the SEBI (Mutual Funds) Regulations, 1996, atleast 50% of Board of Directors are Independent outside members and the remaining are nominated for appointment by the Sponsor of the Fund.

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(iv) Duties and obligations of the Asset Management Company (AMC)

The duties and obligations of the AMC shall be consistent with the SEBI Regulations and the Investment Management Agreement dated 24-11-1992. The AMC shall discharge such duties and obligations as are provided under the SEBI regulations and the Investment Management Agreement and amended from time to time. As per the Investment Management Agreement, the AMC shall, in the course of managing the affairs of the Mutual Fund, for and on behalf of, and on account of, and in the name of the Mutual Fund:

- (a) Hold a valid and subsisting authorisation, license, or certificate from the SEBI.
- (b) Float new schemes for the Mutual Fund after obtaining the approval of the Trustees and SEBI in that behalf.
- (c) Invest the funds raised in various schemes in accordance with the provisions of the Trust Deed, and the investment restrictions contained in SEBI regulations and in the Investment Management Agreement.
- (d) Submit periodical reports to SEBI on its activities and compliance with SEBI regulations.
- (e) Issue and administer instructions to the Custodian, as provided in the Custodial Agreement, and the Mutual Fund's Stock Brokers and Agents.
- (f) Furnish to the Trust all information concerning the operations of various schemes of the mutual funds managed by the AMC at such intervals and in such manner as required by the Trustees so as to ensure that the AMC is complying with the provisions of the Trust Deed, SEBI regulations and Investment Management Agreement.
- (g) The AMC shall be permitted to invest only in transferable securities either in the money market or in the capital market, including any privately placed debentures or securitised debt.
- (h) The BOBMF shall not grant or guarantee any loan without the prior approval of the Trustees and SEBI.
- (i) Ensure that delivery of scrips purchased is taken and that delivery is given in case of scrips sold and in no case short selling or carry forward or badla financing is done.
- (j) Not to acquire any assets out of the funds under its management which results in the BOBMF assuming any unlimited liability or which may have the effect of encumbering any of the assets of the BOBMF in any way.
- (k) No Offer Document of a Scheme, key information memorandum, abridged half yearly results and annual results is issued or published without the prior approval of the Board of Trustees.
- (l) As per the SEBI Regulations, no change in the controlling interest of BOBAMC shall be made unless
 - (i) Prior approval of the trustees and SEBI has been obtained;
 - (ii) 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 and in a newspaper published in the language of the region where the Head Office of BOBMF is situated;
 - (iii) The unitholders are given an option to exit at the prevailing NAV without any exit load.

(v) Custodian

Deutsche Bank AG having its office at Kodak House, 222, Dr. D. N. Road, Fort, Mumbai – 400 001 are the custodian for the existing 6 Schemes of BOBMF and they have also been appointed as Custodian for the Schemes. The important duties and obligations of the Custodians in terms of Custodial Agreement entered with them are as under:

- a) All securities/investments of the Schemes shall be in the custody of the Custodian.
- b) The Custodian will deliver/receive securities directly to and from the parties and shall receive or make payment on receipt of written instructions from BOBMF or any other person authorised by BOBMF.
- c) The Custodian will be responsible for loss or damage to the securities due to its negligence or negligence of its employees and approved agents.
- d) The Custodian will ensure smooth inflow/outflow of securities and such other instruments as and when necessary in the best interest of the investors.
- e) The Custodian will ensure that the benefits due to the holdings are recovered.
- f) The Custodian is entitled to remuneration for its services in accordance with the terms of the existing Custodial Agreement which inter alia provides that the custodian will charge the Schemes a fee at the following rates apart from reimbursement of out of pocket expenses:

0.03% of purchases consideration	De-Mat transaction
0.035% of sale consideration	De-Mat transaction
0.025% of average value of securities	Custody charges for De-Mat securities per annum
0.10% of the purchase consideration	Physical transaction
0.10% of the sale consideration	Physical transaction
0.05% of average value of securities	Custody charges for Physical securities per annum

The above charges/fees are subject to change from time to time as may be mutually agreed between BOBMF & the Custodian.

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(vi) Registrar and Transfer Agents

Karvy Consultants Ltd. having its registered office at Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034 are the Registrars and Transfer Agents for the Schemes.

BOBMF and BOBAMC have ensured that the Registrars are registered with SEBI having valid certificate and also adequate facilities to discharge the responsibilities with regard to processing of applications, despatch of Account Statement/Unit certificates to Unitholders within the time limit prescribed by SEBI (Mutual Funds) Regulations, 1996 and also have sufficient capacity to handle investors' complaints.

(vii) Auditors

M/s. Borkar & Muzumdar, Chartered Accountants, having their office at 235-37, Piramal Mansion, D. N. Road, Mumbai - 400 001, have been appointed as Statutory Auditors of BOBMF for the period ending 31st March, 2004. The Auditors of the Schemes are different from those of the BOB AMC.

(viii) Bankers

Bank of Baroda and HDFC Bank has been appointed as collecting bankers during Initial Offer on an on-going basis. All the intermediaries appointed by the BOBMF are SEBI registered and their registration is valid as on date. Their registration number is as under:

Intermediary	Name	Registration No.
Custodian	Deutsche Bank A G	IN/CUS/003
Registrar & Transfer Agent	Karvy Consultants Ltd.	INR000000221
Collecting Bankers	Bank of Baroda	INBI/30
Collecting Bankers	HDFC Bank Ltd.	INB100000063

6. INVESTMENT OBJECTIVES AND POLICY

BOB GROWTH FUND

Fundamental Attributes

Following are the fundamental attributes of BOB Growth Fund

Type of Scheme Open Ended Growth Scheme

Investment Objective The investment objective of BOB Growth Fund is to provide long term capital appreciation through a well researched portfolio comprising of equity, equity related instruments, money market instruments and debt securities.

Investment Pattern

Under normal circumstances, the broad investment pattern will be as under:

Instruments	% of Assets	Risk Profile
Equity, Equity related instruments	75% to 100%	Medium to High
Money Market Instruments & Debt Securities	0% to 25%	Low

In case the asset allocation goes 5% above or below the above mentioned investment pattern, a review/rebalancing of the portfolio will be considered.

Investment Strategy

- The corpus of the Scheme will be invested primarily in equity shares & equity related instruments like fully/partly convertible debentures, convertible warrants, etc. A certain portion of corpus may also be invested in money market instruments and debt securities.
- The Scheme may invest in Units of an Equity/Balance/debt Scheme managed by BOBAMC or of any other Mutual Fund without charging any Investment Management Fee provided that aggregate inter-scheme investment made by all Schemes under the management of BOBAMC or in Schemes under the management of any other asset management company shall not exceed 5% of the net asset value of all the Schemes of BOBMF.
- The investment in Mutual Fund Units will not exceed 5% of the assets of BOB Growth Fund. Such investment may be made in order to achieve the Investment Objective of BOB Growth Fund.
- BOBAMC may also invest in Units of BOB Growth Fund upto a maximum extent of Rs. 5 Crore, during initial offer period and on an ongoing basis. However, no investment management fee shall be charged by BOBAMC on such investment. The above limit is subject

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to review by the Board of AMC and/or Board of Trustees of BOB Mutual Fund, as the case may be, and may increase or decrease from time to time.

- e) The corpus of the Scheme will be invested in good quality money market and debt instruments. Subject to the Regulations, the Scheme may invest in any (but not exclusively) of the following securities:

Money market instruments

- i. Commercial papers/Commercial bills/ Certificate of deposit
- ii. Treasury bills/Government securities having an unexpired maturity upto one year
- iii. Call or notice money
- iv. Usance bills
- v. Permitted securities under a repo/reverse repo agreement
- vi. Bank Fixed Deposits as permitted by SEBI
- vii. Any other security as permitted by the concerned regulatory authority

Debt Securities

- i. Non-convertible debentures/Bonds/Secured premium notes
 - ii. Zero interest bonds/Deep discount bonds
 - iii. Floating rate bond/notes
 - iv. Securitised debt/pass through certificates/Asset-backed securities/Mortgage backed Securities.
 - v. Any other domestic fixed income securities including structured obligations etc.
 - vi. Debt obligations of the Government of India, State and local Governments, Government Agencies and statutory bodies (which may or may not carry a state/central government guarantee) Securities that have been guaranteed by Government of India and State Governments.
- f) Investments will be made through secondary market purchases, initial public offers, other public offers, placements and negotiated deals. The securities could be listed, unlisted, privately placed, secured/unsecured rated/unrated of any maturity.
- g) The AMC retains the flexibility to invest across all the securities/instruments in debt and money market.
- h) Investments made by the scheme would be in accordance with the features of the scheme and provisions of SEBI Regulations. The AMC will strive to assess risk of the potential investment in terms of credit risk, interest rate risk and liquidity risk. The credit risk analysis would involve an assessment of the past track record and prospects for the company, the industry it operates in, etc. A view on the movement of interest rates will be taken on an ongoing basis, considering the impact of the developments on the macro-economic front and the demand and supply of funds.
- i) Investment may also be made in such other instruments as may be permitted in future by SEBI or any other regulatory authority.
- j) In order to generate additional non-fund based income for the Scheme, the Fund may enter into underwriting commitments for primary market issues. BOBMF may obtain the necessary registration under SEBI (Underwriters) Rules & Regulations, 1993, and all other requisite rules and regulations in force in that behalf from time to time.
- k) The AMC would utilise ratings of recognised rating agencies as an input in the decision making process. Investments in bonds and debentures will usually be in the instruments that have been assigned investment grade ratings by a recognised rating agency. In case of debt instrument is not rated, prior approval of the Board of Directors of BOBAMC and the Board of Trustees of BOB Mutual Fund will be obtained.

BOB BALANCE FUND

Fundamental Attributes

Following are the Fundamental Attributes of BOB Balance Fund

Type of Scheme	Open Ended Balance Scheme
Investment Objective	The investment objective of BOB Balance Fund is to provide long term capital appreciation along with stability through a well Balance portfolio comprising of equity, equity related instruments, highly rated debt portfolio and money market instruments.

Investment Pattern

Under normal circumstances, the broad investment pattern will be as under:

Instruments	% of Assets	Risk Profile
Equity, Equity related instruments	51% to 75%	Medium to High
Debt Securities & Money Market Instruments	25% to 49%	Low to Medium
Securitised Debt	0-15%	Low to Medium

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In case the asset allocation goes 5% above or below the above mentioned investment pattern, a review/rebalancing of the portfolio will be considered.

Investment Strategy

- a) The corpus of the Scheme will be invested primarily in equity shares & equity related instruments like fully/partly convertible debentures, convertible warrants, etc. A certain portion of corpus may also be invested in money market instruments and debt securities.
- b) The Scheme may invest in Units of an Equity/Balance/debt Scheme managed by BOBAMC or of any other Mutual Fund without charging any Investment Management Fee provided that aggregate inter-scheme investment made by all Schemes under the management of BOBAMC or in Schemes under the management of any other asset management company shall not exceed 5% of the net asset value of all the Schemes of BOBMF.
- c) The investment in Mutual Fund Units will not exceed 5% of the assets of BOB Balance Fund. Such investment may be made in order to achieve the Investment Objective of BOB Balance Fund.
- d) BOBAMC may also invest in Units of BOB Balance Fund upto a maximum extent of Rs. 5 Crore, during initial offer period and on an ongoing basis. However, no investment management fee shall be charged by BOBAMC on such investment. The above limit is subject to review by the Board of AMC and/or Board of Trustees of BOB Mutual Fund, as the case may be, and may increase or decrease from time to time.
- e) The corpus of the Scheme will be invested in good quality money market and debt instruments. Subject to the Regulations, the Scheme may invest in any (but not exclusively) of the following securities:

Money market instruments

- i. Commercial papers/Commercial bills/ Certificate of deposit
- ii. Treasury bills/Government securities having an unexpired maturity upto one year
- iii. Call or notice money
- iv. Usance bills
- v. Permitted securities under a repo/reverse repo agreement
- vi. Bank Fixed Deposits as permitted by SEBI
- vii. Any other security as permitted by the concerned regulatory authority

Debt Securities

- i. Non-convertible debentures/Bonds/Secured premium notes
 - ii. Zero interest bonds/Deep discount bonds
 - iii. Floating rate bond/notes
 - iv. Securitised debt/pass through certificates/Asset backed securities/Mortgage backed Securities.
 - v. Any other domestic fixed income securities including structured obligations etc.
 - vi. Debt obligations of the Government of India, State and local Governments, Government Agencies and statutory bodies (which may or may not carry a state/central government guarantee) Securities that have been guaranteed by Government of India and State Governments.
- f) Investments will be made through secondary market purchases, initial public offers, other public offers, placements and negotiated deals. The securities could be listed, unlisted, privately placed, secured/unsecured rated/unrated of any maturity.
 - g) The AMC retains the flexibility to invest across all the securities/instruments in debt and money market.
 - h) Investments made by the Scheme would be in accordance with the features of the Scheme and provisions of SEBI Regulations. The AMC will strive to assess risk of the potential investment in terms of credit risk, interest rate risk and liquidity risk. The credit risk analysis would involve an assessment of the past track record and prospects for the company, the industry it operates in, etc. A view on the movement of interest rates will be taken on an ongoing basis, considering the impact of the developments on the macro-economic front and the demand and supply of funds.
 - i) Investment may also be made in such other instruments as may be permitted in future by SEBI or any other regulatory authority.
 - j) In order to generate additional non-fund based income for the Scheme, the Fund may enter into underwriting commitments for primary market issues. BOBMF may obtain the necessary registration under SEBI (Underwriters) Rules & Regulations, 1993, and all other requisite rules and regulations in force in that behalf from time to time.
 - k) The AMC would utilise ratings of recognised rating agencies as an input in the decision making process. Investments in bonds and debentures will usually be in the instruments that have been assigned investment grade ratings by a recognised rating agency. In case of debt instrument is not rated, prior approval of the Board of Directors of BOBAMC and the Board of Trustees of BOB Mutual Fund will be obtained.

Investment in Overseas Financial Assets

The Scheme may, with the approval of SEBI as appropriate, invest in ADRs/GDRs as provided in SEBI circular No. MFD/CIRNo.5/062/99 dated September 30, 1999 and any subsequent circulars, guidelines or instructions that may be issued by SEBI in this regard. The Scheme

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may also invest in overseas financial assets as and when permitted for investment by mutual funds by the concerned regulatory authorities in India. To the extent that the assets of the Scheme will be invested in securities dominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as also the application of other restrictions on investments.

Indian Government Securities Market

The government securities market is the largest and most liquid market in India. The investment Manager believes that various measures being initiated by RBI and priority being accorded to the development of this market will lead to further deepening and widening of this market. The Central and State Governments raise large sums from the market every year to meet their revenue and capital expenditure. Banks, Non Banking Finance companies, insurance companies and provident funds are required by various statutes to invest in government securities and therefore are big investors in this market. The government securities market is expected to remain the most liquid market and provide an avenue for investment where safety is of paramount importance.

Debt Market / Money Market in India

The Indian debt market consists mainly of securities issued by central and state government, public sector enterprises, and private sector companies. Interest rates in India have been deregulated and lending and borrowing rates are market determined. RBI's bank rate or refinance rate is considered as benchmark rate for determining interest rates in India. The debt market in India has evolved at a rapid pace after deregulation of interest rates. Although the market for non government securities is dominated by instruments like bonds and debentures, new instruments like pass through certificates, structured instruments, etc. are catching up fast. Foreign Institutional Investors are also allowed to invest in Indian debt markets now. There has been a considerable increase in the trading volumes in the market. Government of India securities constitute bulk of the trading volumes. Of late derivative products like interest rate swaps are also used to hedge against the movement in interest rates. The debt market is dominated by institutional players and the concept of trading in debt securities has not yet percolated to the retail level. The price function of a debt instrument is inversely proportionate to the interest rate i.e. higher the interest rate, lower the market price of debt securities and vice versa. Usually pricing or interest rates of a debt instrument are fixed on the basis of credit rating of the instrument and the tenure of the instrument. Higher credit rating and lower tenure will imply lower interest rates. Details of some of the debt instruments / money market instruments and their indicative yields are given in the table below:

Yield Table	Mar -03	May - 03	Jun - 03
Call Rates (Average %)	5.86	4.91	4.98
Treasury Bills (primary)			
91 days (%)	5.61-5.90	4.42-4.79	4.91-4.99
364 days (%)	5.80-5.90	4.78-4.89	4.96-4.97
Treasury Bills (Month-end secondary market)			
3 months	5.70	4.78	4.97
1 year	5.75	4.80	4.97
Government Securities (Month-end semi-annual)			
1 year	5.59	4.99	5.17
3 years	5.84	5.17	5.25
5 years	5.83	5.35	5.31
7 years	6.11	5.57	5.60
10 years	6.13	5.79	5.73
3 months Commercial Paper (P1+) (%)	6.25-6.50	4.90-5.05	5.00-5.10
Bank Bonds -Taxable (AAA)			
3 year (%)	6.75-7.00	5.95-6.15	5.80-6.00
5 years (%)	6.80-7.10	6.00-6.15	6.00-6.10
7 years (%)	6.95-7.25	6.15-6.60	6.05-6.20
FI Bonds – Taxable (AAA and AA+)			
1 year (%)	7.76-8.45	5.60-6.15	5.50-6.75
3 years (%)	6.90-8.45	5.95-8.10	5.85-8.40
5 years (%)	6.65-7.75	5.80-8.40	5.90-8.10
Private Corp-Taxable (AAA)			
1 year (%)	-	5.85-6.15	5.85-6.45
3 years (%)	7.00-7.30	6.10-6.35	5.90-6.45

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5 years (%)	6.80-7.00	6.45-6.90	6.35-6.60
7 years (%)	7.25-7.50	6.25-6.75	6.30-6.75
PSU Bonds – Taxable (AAA)			
1 year (%)	6.40-6.65	5.75-6.00	5.35-5.75
3 years (%)	6.45-6.90	5.55-6.10	5.60-5.85
5 years (%)	6.55-7.20	6.10-6.85	6.00-6.50
7 years (%)	6.65-7.00	6.25-7.00	6.10-6.30
10 years (%)	6.80-8.00	6.50-7.25	6.60-7.00
PSU Bonds-Tax-Free			
1 - 3 years	5.25-5.50	5.00-5.25	4.95-5.00
3 - 5 years	5.50-5.75	5.60-5.70	5.00-5.25

The actual yields will however vary in line with general levels of interest rates and debt/money market conditions prevailing from time to time.

Terms of the Scheme(s)

The nature and duration of the Schemes, provision for repurchase, scheme's expenses and fees, as stated in clause 8, 16 and 3 of this Offer Document will form part of Fundamental Attributes of the Scheme.

The Trustees shall obtain the consent of the Unitholders.

- a) Whenever required to do so by SEBI in the interest of the unitholders; or
- b) Whenever required to do so on the requisition made by three fourths of the unitholders of the Schemes; or
- c) When the majority of the trustees decide to wind up or prematurely redeem the units.

The Trustees shall ensure that no change in the fundamental attributes of the Schemes or the trust or fees and expenses payable or any other change which would modify the Schemes 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.

Investment Restrictions

- a) The Mutual Fund will, for securities purchased in the non-depository mode get the securities transferred in the name of the Mutual Fund on account of the Schemes, wherever the investments are intended to be of a long term nature.
- b) BOBMF under all its Schemes (including the present Schemes) will not own more than 10% of any company's paid up capital carrying voting rights.
- c) BOBMF shall not make any investments in any un-listed securities of associate or group companies of the Sponsors nor will it make investments in privately placed securities issued by associate or group companies of the Sponsors.
- d) The aggregate investment by the Schemes in the listed securities of group companies of the Sponsor shall not exceed 25% of the net assets of the Schemes.
- e) The Schemes shall not invest more than 10 % of its NAV in the equity shares or equity related instruments of any company.
- f) The Schemes shall not invest more than 5% of its NAV in the unlisted equity shares or equity related instruments.
- g) The Schemes shall not invest more than 15% of its NAV in debt instruments issued by a single issuer which are not rated below investment grade by a credit rating agency authorised to carry out such activity under SEBI act. Such investment limit may be extended to 20% of the NAV of the Schemes with prior approval of the Trustees and Board of BOBAMC. Provided that such limit shall not be applicable for investment in government securities and money market instruments. Provided further that investment within such limit can be made in mortgage backed securitised debt which are rated not below investment grade by a credit rating agency registered with SEBI.
- h) The Schemes shall not invest more than 10% of its NAV in unrated debt instruments issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the Schemes. All such investments shall be made only with prior approval of the Trustees and the Board of BOBAMC.
- i) Debentures irrespective of any residual maturity period (above or below 1 year) shall attract the investment restrictions as applicable for debt instruments as specified under Clauses 1 and 1A of Seventh Schedule to SEBI (Mutual Funds) Regulations 1996.
- j) All investment restrictions shall be applicable at the time of making investment.

Apart from the investment restrictions prescribed under SEBI (MF) Regulations, the Fund has laid investment restriction that exposure to any industry, as classified by BOBAMC, should be limited to 15% of aggregate net assets value of all the schemes taken together, subject

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to a limit of 25% of net assets of individual scheme. This restriction shall be applicable at the time of making investment. There can be no assurance that the investment objective of the Schemes will be achieved. The investment objectives and policies stated above are in conformity with the provisions of the existing SEBI Regulations, Trust Deed, Investment Management Agreement, Memorandum and Articles of Association of BOBAMC.

Changes in Investment Strategy:

It shall be clearly understood that the investment strategy referred to above is not absolute and it may vary substantially depending upon the perception of the capital market taking into account the factors prevailing at the material time, potential for growth etc. the intent being to protect the Unitholders' interests. In situation of extreme volatility or when in the opinion of the Asset Management Company, equities or debt do not offer appropriate opportunities, the allocation to equities or debt may be reduced. The Trustees may, from time to time, at their absolute discretion review and modify the investment strategy, provided such modification is in accordance with SEBI Regulations.

Investment of Subscription Money

The Schemes may invest subscription money received from the public in money market instruments including fixed deposits with Banks during the Initial Offer Period and before allotment of Units. Further, the Investment Manager, after satisfying itself that subscription to the extent of the minimum amount as per the Offer Document has been received during the Initial Offer Period, may commence making investments as per the Investment Objective of the Schemes.

Derivatives and Hedging Products

The Schemes may use techniques and instruments such as futures and options, warrants, etc. to hedge the risk of fluctuations in the value of the investment portfolio. Provided that the Mutual Fund shall enter into derivatives transactions in a recognised stock exchange as permitted by SEBI as per prevailing regulations and commensurate with the Schemes objectives in an attempt to protect the value of the portfolio and enhance unitholders interest. The value of derivatives contracts outstanding will be limited to 10% of the scheme's net assets. Derivatives and hedging strategies may be used for following purposes.

For the purpose of hedging against a decline in value of a Schemes's net asset value

A hedge is designed to offset a loss on a portfolio position with a gain in the hedge position. The fund may use derivative instruments primarily to hedge the value of portfolio against potential adverse movements in securities prices. At the same time, however, a properly correlated hedge will result in a gain in the portfolio position being offset by a loss in the hedge position. As a result, the use of derivatives could limit any potential gain/ loss by increase/decrease in value of the position hedged. In addition, an exposure to derivatives in excess of the hedging requirement can lead to losses.

Example

A scheme has an equity portfolio of Rs. 10 crores. For the purpose of reducing the risk of loss, if any, arising out of fall in the equity prices, the fund will sell index future contracts worth Rs. 1 Crore. The potential scenario in case of rise or fall of equity prices will be as follows:

Scenario	Event	Gain/(Loss) in equity portfolio	Gain/(Loss) in derivatives (Rs. in crores)	Total Gain/(Loss)
Equity Portfolio of Rs. 10 crore without hedge	10% fall in equity prices	(1)	—	(1)
Equity Portfolio of Rs. 10 crore with hedge	10% fall in equity prices	(1)	0.1	(0.9)
Equity Portfolio of Rs. 10 crore without hedge	10% rise in equity prices	1	—	1
Equity Portfolio of Rs. 10 crore with hedge	10% rise in equity prices	1	(0.1)	0.9

Risks

- The strategy of selling index futures is correlated to the market. However, there is no assurance that the index and stocks in the equity portfolio move in the same manner and thus this strategy may not be perfect hedge.
- There are chances of as much loss as a gain in the strategy of selling index futures i.e. if the index appreciates by 10% the future value falls by 10%. However, this is true only for futures contracts held till maturity. In the event that a future contract is closed before its expiry, the quoted price of futures contract will be different from the gain/loss due to movement of the underlying index.

Derivative and Hedging Products for debt instruments

As and when available and permissible, the Scheme may use techniques and instruments such as futures, options, swaps, etc. to hedge the risk of fluctuations in the value of investment portfolio. The Scheme may use derivatives in accordance with SEBI Regulations. RBI has issued guidelines on Interest Rate Swaps (IRS) and Forward Rate Agreements (FRA) on July 7, 1999.

IRS

All swaps are financial contracts, which involve exchange (swap) of a set of payments owned by one party for another set of payments owned by another party, usually through an intermediary (market maker). An IRS can be defined as a contract between two parties (counter

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parties) to exchange, on particular dates in the future, one series of cash flows (fixed interest) for another series of cash flows (variable or floating interest) in the same currency and on the same principal for an agreed period of time. The exchange of cash flows need not occur on the same date.

FRA

A FRA is an agreement between two counter parties to pay or to receive the difference between an agreed fixed rate (the FRA rate) and the interest rate prevailing on a stipulated future date, based on a notional amount, for an agreed period. In short, in a FRA, interest rate is fixed now for a future period. The special feature of FRAs is that the only payment is the difference between the FRA rate and the Reference rate. Hence FRAs are single settlement contracts. As in the case of IRS, notional amounts are not exchanged.

Examples of Derivatives

The Scheme will use derivatives instruments for the purpose of hedging and portfolio balancing. Hedging does not mean maximisation of returns but only reduction of systematic or market risk inherent in the investment.

Basic Structure of a Swap

Assume that the scheme has a Rs. 1 crore floating rate investment linked to MIBOR (Mumbai Inter Bank Offered Rate). Hence, the scheme is currently running an interest rate risk and stands to lose if the interest rate moves down. To hedge this interest rate risk, the scheme can enter into a 6 month MIBOR swap. Through this swap, the scheme will receive a fixed predetermined rate (assume 10%) and pays the "benchmark rate" (MIBOR), which is fixed by the National Stock Exchange (NSE) or any other agency such as Reuters. This swap would effectively lock-in the rate of 10% for the next 6 months, eliminating the daily interest rate risk. This is usually routed through an intermediary who runs a book and matches deals between various counter parties.

The swap mechanism will be as follows:

1. Assuming the swap is for Rs. 1 Crore April 1, 2001 to October 1, 2001. The scheme is a fixed rate receiver at 10% and the counter-party is a floating rate receiver at the overnight rate on a compounded basis (e.g. NSE MIBOR).
2. On April 1, 2001 the scheme and the counter-party will exchange only a contract of having entered this swap. This documentation would be as per International Securities Dealers Association (ISDA).
3. On a daily basis, the benchmark rate fixed by NSE will be tracked by them.
4. On October 1, 2001 the following calculations will take place:
 - The scheme is entitled to receive interest on Rs. 1 Crore at 10% for 184 day i.e. Rs. 5.04 Lac, (this amount is known at the time the swap was concluded) and will pay the compounded benchmark rate.
 - The counter-party will pay 10% fixed and will be entitled to receive daily compounded call rate for 184 days.
 - On October 1, 2001, if the total interest on the daily overnight compounded benchmark rate is higher than Rs. 5.04 Lac, the scheme will pay the difference to the counter party. If the daily compounded benchmark rate is lower, then the counter-party will pay the Scheme the difference.
 - Effectively the scheme earns interest at the rate of 10% p.a. for six months without lending money for 6 months fixed, while the counter-party pays interest @10% p.a. for 6 months on Rs. 1 Crore, without borrowing for 6 months fixed.

The example illustrates the benefits and risks of using derivatives for hedging and optimising the investment portfolio. Swaps have its own drawbacks like credit risk, settlement risk. However, these risks are substantially reduced as the amount involved is interest streams and not principal.

Risk factors

1. Credit Risk: This is the risk of default by the counter-party. This is usually negligible, as there is no exchange of principal amounts in a derivative transaction.
2. Market Risk: Market movements may adversely affect the pricing and settlement of derivatives.
3. Illiquidity Risk: The risk that a derivative cannot be sold or purchased quickly enough at a fair price, due to lack of liquidity in the market.

Portfolio Turnover Policy

The Schemes are open ended Schemes. It is expected that there would a number of subscriptions and redemptions on a daily basis. Consequently, it is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolio. Nonetheless, BOBAMC will take advantage of opportunities that present themselves from time to time in the securities market.

7. MANAGEMENT OF THE FUND

BOB Asset Management Company Ltd. (BOBAMC) has been acting as Investment Manager for BOBMF and they will be managing these Schemes also.

Investment Management Agreement: BOBAMC has entered into an Investment Management Agreement dated 24-11-1992 with the Trustees of BOBMF, which agreement interalia incorporates the SEBI (Mutual Funds) Regulations, 1996 and is approved by SEBI. The resources mobilised and the assets of the Fund shall be managed by the BOBAMC as per the Investment Management Agreement and in conformity with SEBI (Mutual Funds) Regulations, 1996.

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The day-to-day operations of BOBAMC are being supervised by Shri N.L. Khurana, Managing Director of BOBAMC under overall supervision of the Board of Directors. Shri N.L. Khurana is having over 36 years of banking experience in India as well as overseas. He has held many responsible positions in Bank of Baroda at various levels prior to his appointment as Managing Director of BOBAMC in May 2003.

The name and address of BOBAMC and composition of its present Board of Directors is as under:

BOB Asset Management Company Ltd.

105, Maker Chambers III,
10th floor, Nariman Point,
Mumbai 400 021
Tel No.: 2285 3323 -26
Fax No.: 2288 0009
E-mail: bobamc@vsnl.com

BOARD OF DIRECTORS :

Name	Occupation	Residential Address	Other Directorships held
Shri R. R. Kumar Chairman	Retired Banker Ex-Chairman & Managing Director of Union Bank of India.	B-2, 1st Flr., Rang Udyan, Sitladevi Temple Road, Mahim, Mumbai - 400 016.	a) Eastern Medikit Ltd. b) Gobind Glass Works Ltd. c) Haldyn Glass Ltd. d) K.J.M.C. Financial Services Ltd. e) Rajasthan Polyester Ltd. f) Rolta India Ltd. g) Uniflex Cables Ltd. h) GTC Industries Ltd.
Shri Bhagirat B. Merchant	Management Consultant	Flat No. 10, Govardhan Bhavan, Jaihind Co-op. Housing Society Ltd., N. S. Road, No. 12-A, J.V.P.D. Scheme, Mumbai - 400 049.	a) Express Leasing Ltd. b) PAR Computer Sciences (International) Ltd. c) Silchar Electronics Ltd. d) Visaka Industries Ltd.
Shri Sharadchandra D. Abhyankar	Partner ANS Law Associates, Advocates & Solicitors Mumbai.	16, Prabhu Kripa, Nariman Road, Vile Parle (East), Mumbai - 400 057.	a) Gullco International India Pvt. Ltd. b) Andromeda Finance & Investments Pvt. Ltd. c) The Global Institute for Financial and Education Services India Pvt. Ltd. d) GE Capital Trust Ltd e) Optimum Business Solutions Ltd. f) Trans Union Software Services (P) Ltd.
Shri J.K. Chandar	Deputy General Manager Bank of Baroda	Flat No. 22-A, Siddharth Apartments Nepeansea Road Mumbai - 400 006.	Nil
Shri N.L. Khurana (Managing Director)	Deputy General Manager Bank of Baroda	Flat No. 12-A, Siddharth Apartments, Nepean Sea Road, Mumbai - 400 006.	Nil

Shri J.K. Chandar is an Executive of Bank of Baroda of the rank of Deputy General Manager and has been nominated as Director on the Board of BOBAMC by the Sponsor. Shri N.L. Khurana, Managing Director is an Executive of Bank of Baroda of the rank of Deputy General Manager and has been nominated by the Sponsor.

BOBAMC has over 8 years experience in managing various Schemes of BOBAMC. The Schemes are being managed in terms of Investment Management Agreement between BOBAMC and BOBAMC. The substantive provisions of Investment Management Agreement are stated at para 5(iv) under the heading "Duties and Obligations of Asset Management Company". The fees payable to AMC for managing the Schemes are stated at para 3(f).

Shri N.L. Khurana, Managing Director of BOBAMC, Shri Ashutosh Vaidya, Company Secretary of BOBAMC, Shri J. Shroff, Fund Manager, BOBAMC and Shri V. M. Ramakrishnan, Fund Manager, BOBAMC have been identified as Key Personnel of the Company.

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Key Personnel of BOBAMC :

Name & designation	Age (yrs.)	Educational qualifications & Experience
Shri N.L. Khurana Managing Director	55	<p>On deputation from Bank of Baroda he is Masters in Commerce and Certificate Associate of Indian Institute of Bankers. He is also a Post Graduate in Personnel Management, Business Management and Public Relations. Presently he is the Managing Director of BOBAMC. He has an experience of over 36 years in banking various capacities, in India and abroad.</p> <p>Over past ten years, Shri N.L. Khurana has handled various assignments in Bank of Baroda as under:</p> <ul style="list-style-type: none"> a) As Chief Manager from 1992-1997 b) As Regional Manager & Asstt. Gen. Manager from 1997-2000 c) As Managing Director of Bank of Baroda Hong Kong Ltd. till 2002 d) As Dy. Gen. Manager (Corporate Banking) till he was appointed as Managing Director of BOB AMC.
Shri Ashutosh Vaidya Company Secretary	28	<p>He is a commerce graduate and a qualified company secretary. He has over 4 years experience as a Compliance Officer. His assignments include compliance with Companies Act, SEBI Act, and Listing Agreement of the Stock Exchanges. He was previously employed with Godrej Industries Ltd. as an Executive (Finance). He was also looking after Investor Services/Grievances, etc.</p>
Shri J. Shroff Fund Manager	31	<p>Shri J. Shroff is a Commerce Graduate with PGD (MBFS). He has over 6 years of experience in equity research and investment banking. Before joining BOBAMC Mr. J. Shroff was working as a Research Analyst at Tandem Financials Ltd. and was also member of investment banking team. He has worked on industry and company research, mergers and acquisitions, brand valuation, etc. Prior to that he was working as executive in Corporate Development and Finance department at Kishor J. Janani, Stock Broker BSE, handling venture capital investments and research.</p>
Shri V.M.Ramakrishnan Fund Manager	51	<p>Shri V M Ramakrishnan is a science graduate and C.A.I.I.B. (Part –1). He has over 11 years experience in money market/finance sector. Over past ten years, Shri V M Ramakrishnan has worked in various capacities as under :</p> <ul style="list-style-type: none"> a) Mafatlal Securities Ltd. – Dealer, Debt Market b) The Sangli Bank Ltd. – Manager, Funds, Investment and Treasury Operations c) Vijaya Bank – Assistant Manager, Money Market Dealer

The people involved in the decision making process for investments are:

Name & designation	Educational qualifications & Experience
Shri N.L. Khurana Managing Director	<p>On deputation from Bank of Baroda he is Masters in Commerce and Certificate Associate of Indian Institute of Bankers. He is also a Post Graduate in Personnel Management, Business Management and Public Relations. Presently he is the Managing Director of BOBAMC. He has an experience of over 36 years in banking various capacities, in India and abroad.</p>
Shri J. Shroff Fund Manager	<p>Shri J. Shroff is a Commerce Graduate with PGD (MBFS). He has over 6 years of experience in equity research and investment banking. Before joining BOBAMC Mr. J. Shroff was working as a Research Analyst at Tandem Financials Ltd. and was also member of investment banking team. He has worked on industry and company research, mergers and acquisitions, brand valuation, etc. Prior to that he was working as executive in Corporate Development and Finance department at Kishor J. Janani, Stock Broker BSE, handling venture capital investments and research.</p>
Shri V.M.Ramakrishnan Fund Manager	<p>Shri V M Ramakrishnan is a science graduate and C.A.I.I.B. (Part –1). He has over 11 years experience in money market/finance sector. Over past ten years, Shri V M Ramakrishnan has worked in various capacities as under :</p> <ul style="list-style-type: none"> a) Mafatlal Securities Ltd. – Dealer, Debt Market b) The Sangli Bank Ltd. – Manager, Funds, Investment and Treasury Operations c) Vijaya Bank – Assistant Manager, Money Market Dealer

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Shri Sandeep Pandhare Research Analyst	He is an MBA (Finance) with a Diploma in Business Management.
Shri Manish N. Patil Research Analyst	Shri Manish N. Patil is a Arts Graduate in Economics and PGDBA (Fin & Mktg) from ICFAI Business school. He has over 2 years experience in debt market dealing in broking sector. Over past 2 years, Shri Manish N. Patil has worked in various capacities as under : a) KJMC Capital Markets Ltd - Dealer NSE WDM segment b) Twentyfirst Century Shares and Securities Ltd. - Dealer Retail Debt Market desk. c) Mafatlal Securities Ltd. - Dealer NSE WDM segment.

Procedure for investment decision

All the daily investment decisions are taken by the Daily Market Operations Committee. A list of recommendation for daily trades is given to the Committee and the same is discussed and approved. The investment decisions are taken considering the factors like economic scenario, fundamental analysis, technical analysis, interest rate movements, liquidity, industry weightage, etc. All the investment decisions are recorded on a daily basis. A new scrip is introduced in the portfolio for the first time only after a thorough research report has been prepared and the same has been approved by the Investment Committee of BOBAMC. The performance of each scheme is monitored by the board of AMC and trustees on periodic basis vis-a-vis BSE Sensex as a benchmark.

Investors Service Officer

Shri Kishor Kumar T.V is the Investors' Service Officer and can be contacted at:
BOB Asset Management Company Limited
105, Maker Chambers III, 10th floor,
Nariman Point, Mumbai 400 021
Tel No.: 2285 3323 -26, 2285 2161
Fax No.: 2288 0009
E-mail: kishore@bobmf.com

Auditors

M/s Jain Tripathi & Co., Chartered Accountants, having their office at 204-B, Ruby Apartment, Sir M. V. Marg, Andheri (East), Mumbai - 400 069 were appointed as statutory auditors of BOBAMC for the year ended 31st March 2003. The auditors of BOBAMC are different from the auditors of the Schemes.

8. UNITS AND OFFER

(i) Initial Offer

The initial offer shall be open for subscription from 14.08.2003 to 03.09.2003. The Trustees reserve the right to extend the closing date, subject to the condition that the subscription list shall not be kept open for more than 30 days. The minimum subscription amount to be raised in the initial offer period is Rupees Ten Lac per scheme. Any amount received over and above the minimum subscription amount shall be retained. In accordance with SEBI Regulations, if the Mutual Fund fails to collect the minimum subscription amount of Rs. 10 Lac, the Mutual Fund shall be liable to refund the subscription amount to the applicants of the Schemes.

(ii) Ongoing Basis

The Schemes shall open for ongoing subscription/redemption, at NAV based prices, not later than 30 working days from the date of closure of initial offer.

(iii) Investment Plans

Investors can choose between the Dividend and Growth plans. Separate NAVs will be calculated for each plan.

(a) Growth Plan

The Growth Plan is for those investors who do not wish to have any regular income by way of dividends and instead seek cumulative growth by way of capital appreciation. Under the Growth Plan, the returns accrue to investors in the form of capital appreciation as reflected in NAV.

(b) Dividend Plan

Investors opting for Dividend Plan will be eligible to receive dividends as and when declared by the Schemes. BOBMF reserves the right to determine the frequency of dividend distribution. Those investors whose names appear in the register of unit holders as on the record date will be eligible for dividend. The record date will be declared through newspaper advertisements/press release and other circulations.

(c) Dividend Reinvestment Plan

Investors opting for dividend option may choose to re-invest their entire dividend in additional units of the Schemes at the NAV on the next business day after the record date. No entry load will be levied on the dividends reinvested. The dividends so reinvested shall be constructive payment of dividends, subject to deduction of tax at source, to the unitholders and constructive receipt of the same amount from each unitholder for reinvestment in units.

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Systematic Investment Plan (SIP)

Unitholders under the Schemes can benefit by investing specified Rupee amounts at regular intervals for a continuous period. SIP allows unitholders to invest a fixed amount of Rupees at regular intervals for purchasing additional units of the Schemes at NAV based prices. SIP option is available for investors on the commencement of ongoing sale and redemption under the Schemes in both the plans after initial offer period. Investors opting for SIP can opt for monthly or quarterly option. Investors opting for monthly option shall invest minimum of Rs. 500 (or in multiples thereof) at monthly intervals by providing the AMC/ISC post-dated cheques for at least six months. Investors opting for quarterly option shall invest minimum of Rs. 1500 (or in multiples thereof) at quarterly intervals by providing the AMC/ISC post-dated cheques for at least 2 quarters (i.e. six months). The cheques will be presented on the dates mentioned on the cheque and subject to realisation; units will be allotted at the applicable NAV plus sales load, if any.

Systematic Withdrawal Plan (SWP)

This facility available to the unitholders enables them to withdraw a fixed amount from their account at periodic intervals. SWP option is available for investors on the commencement of ongoing sale and redemption under the Schemes in both the plans after initial offer period. The amount withdrawn under SWP by redemption shall be converted into units at repurchase price and such unit balance will be subtracted from the unit balance of the unitholder. The withdrawal will be affected on the first day of the month in which the payment is scheduled. In case the date falls on a holiday then the immediate next business day will be considered for this purpose.

Right to offer an Additional Investment Plans and/or facility

The Scheme may, offer one or more investment Plans and/or facility at a later date. For all such additional investment plan conditions as per SEBI Circular MFD/CIR No.12/175/01 dated February 15, 2001 will be applicable.

Right to close unit holder's account

The Mutual Fund may close a Unitholder's account whenever, due to redemptions, the value of the account falls below the minimum account balance (Rs.2,000) and the Unitholder fails to purchase sufficient units to bring the value of the account up to the minimum balance or more, in the next 30 days. Without being obliged to, a written notice may be sent by the Mutual Fund to the Unitholder intimating that the balance in his account has fallen below the minimum balance and within the given time frame the Unitholder should replenish the account by purchase of fresh Units.

(iv) Minimum amount of Investment

Minimum Application amount is Rs. 3,000/- and in multiples of Rs. 1000/- thereof. The minimum amount of investment or amount of additional investment may be changed and announced by BOBAMC from time to time.

(v) Applicable NAV

NAV for Sale/Repurchase as the context may require, in respect of any application received before 2.00 p.m. on any Business Day, subject to it being complete in all respects, shall be the NAV at the close of that business day, subject to applicable load, if any, of the respective Plan. Any application for sale/repurchase received after 2.00 p.m. on a business day shall be deemed to be received as of next business day and the applicable NAV will be the NAV calculated at the end of the next business day, subject to applicable load, if any, of the respective Plan. The AMC reserves the right to change these timings and the same may be different for each Investor Service Centre and for respective Plans

(vi) Allotment & Refund

Full and firm allotment, will be made to all eligible applicants provided the applications are complete in all respects. Units will be allotted in fractions upto four decimal places. This will not result in any liquidity problem, as the fund will redeem fractional units also. The process of allotment of Units and mailing of account statement reflecting the allotments will be completed within 30 working days from the closure of the Initial Offer Period. In addition to above, refund of subscription amount to the applicants whose applications are found to be invalid for any reason, will commence after the allotment process is complete. No interest will be payable on any subscription money refunded within six weeks from the close of the Initial Offer Period. Interest on subscription amount will be payable by BOBAMC for amounts refunded later than six weeks from the close of Initial Offer Period at the rate of 15% per annum basis from the end of six weeks upto the date of actual payment. The interest for the period of delay will be added to refund amount when such payments are made. All communications and payments shall be made only to the sole/first applicant or to the Karta in case of HUF or to the parent or guardian as the case maybe in respect of minors.

(vii) Account Number/Account Statement

Account Number: Every Unitholder will have an Account Number. The number of Units issued to a Unitholder or redeemed by a Unitholder will be reflected in his or her account and a statement to this effect will be issued to the Unitholder.

Account Statement: Each Unitholder will receive an Account Statement each time additional purchases or part redemptions of Units are made.

On an ongoing basis, despatch of Account Statement shall be made available three days from the date of realisation of the sale price. The Account statement shall not be construed as a proof of title and is only a computer printed statement indicating the details of transaction under the Scheme and is a non-transferable document.

However, if an applicant so desires, BOBAMC will issue Unit Certificate to such applicant within four weeks of the receipt of such request.

(viii) Listing

No listing of the Schemes is intended as continuous sale and repurchase facility will be available to all unitholders.

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(ix) Transferability

As the Schemes will be open for continuous sale and repurchase not later than 30 working days after the closure of the initial offer period, no transfer facility is required.

However, if a party or person becomes a holder of units of a Scheme in an official capacity by operation of law or is a scheduled bank/ financial institution upon enforcement of pledge, then the BOB Mutual Fund shall, subject to production of such evidence, which in its opinion is sufficient, proceed to effect the transfer, if the intended transferee is otherwise eligible to hold such Units.

(x) Pledge/Lien/Charge of Units

The units under the Scheme(s) may be offered as security by way of a pledge/lien/charge in favour of scheduled banks, financial institutions, NBFCs or any other body. The AMC and/or the ISC and/or the Registrars to the Scheme(s) will note and record such pledged units. A standard form for this purpose is available on request from any of the ISCs. Disbursement of such loans will be at the entire discretion of the bank/financial institution/NBFC or any other body concerned and the BOBMF assumes no responsibility thereof.

The pledgor will not be able to redeem units that are pledged until the entity to which the units are pledged provides written authorisation, to BOBMF, that the pledge/lien/charge may be removed. As long as units are under pledge the pledgee will have complete authority to redeem such units.

(xi) Duration of the Schemes/Winding up

The duration of the Schemes is perpetual. However, in terms of the SEBI (Mutual Funds) Regulations 1996, any one or more scheme may be wound up, after repaying the amount due to the Unitholders of such schemes:

- a) On the happening of any event, which in the opinion of the Trustees, requires the Schemes to be wound up, OR
- b) If 75% of the Unitholders of the Schemes pass a resolution that the Schemes be wound up, OR
- c) If SEBI so directs in the interests of the Unitholders.

Where the Schemes is so wound up, the Trustees shall give notice disclosing the circumstances leading to the winding up of the Schemes to:

- a) SEBI and
- b) In two daily newspapers having circulation all over India and a vernacular newspaper circulating in Mumbai.

(xii) Procedure and manner of Winding Up

The Trustees shall call a meeting of the Unitholders to approve by simple majority of the Unitholders present and voting at the meeting, resolution for authorising the Trustees or any other person to take steps for winding up of the Scheme. The Trustees or any person authorised as above, shall dispose of the assets of such Scheme in the best interest of Unitholders of such Scheme. The proceeds of sale realised in pursuance of the above, shall be first utilised towards discharge of such liabilities as are payable under the said Scheme, and after making appropriate provision for meeting the expenses connected with such winding up, the balance shall be paid to the Unitholders of such Scheme in proportion to their respective interest in the assets of the Scheme, as on the date when decision for winding up was taken.

On completion of the winding up, the Trustee shall forward to SEBI and Unitholders of such Scheme a report on the winding up of the said Scheme, detailing the circumstances leading to the winding up of that Scheme, the steps taken for disposal of the assets of such Scheme before winding up, expenses of the Scheme for winding up, net assets available for distribution to the Unitholders of that Scheme and a Certificate from the auditors of the Mutual Fund.

After the receipt of the report referred to above, if SEBI is satisfied that all measures for winding up of the Scheme have been complied with, such Scheme shall cease to exist.

Notwithstanding anything contained herein above, the provisions of the Regulations in respect of disclosures of half-yearly reports and annual reports shall continue to be applicable (until winding up is completed or the scheme ceases to exist)

(xiii) Effects of winding up

On and from the date of the publication of notice of winding up, the Trustees or the AMC as the case may be, shall

- a) Cease to carry on any business activities in respect of the Scheme so wound up;
- b) Cease to create or cancel Units in such Scheme;
- c) Cease to issue or redeem Units in such Scheme.

9. SALE OF UNITS

(i) Who can apply

Application for units may be made by the following:

1. Adult Resident Individual(s) and also Minors through their parents/ lawful guardians.

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2. Adult Resident Individuals jointly not exceeding three, on
 - either or survivor basis, or jointly or,
 - first holder or survivor(s) basis or,
 - any one or survivor(s) basis,
3. Hindu Undivided Family (HUF), in the name of Karta.
4. Companies/Bodies Corporate/Public Sector Units registered in India.
5. Banks and Financial Institutions
6. Mutual Funds registered with SEBI
7. Charitable or Religious Trust/Wakfs or Endowments and Registered Societies (including Registered Co-operative Societies) and Private Trusts authorised to invest in the units
8. Partnership firms or an Association of Persons or body of individuals whether incorporated or not.
9. NRIs, OCBs, and persons of Indian origin residing abroad, on a full repatriation basis or non repatriation basis
10. Foreign Institutional Investors registered with SEBI
11. Army/Airforce/Navy/Paramilitary funds and other eligible institutions.
12. Scientific and/or industrial research organisations authorised to invest in the Units.
13. Such other individuals/Institutions/Body Corporate etc. as may be decided by the Mutual Fund from time to time, so long as wherever applicable they are in conformity with the SEBI Regulations

Subject to the Regulations, the Trustee/AMC may reject any application received, in case the application is found invalid/incomplete or for any other reason at the Trustee's/AMC's Sole discretion

(ii) Instructions on how to apply

- a) Application forms for investors will be available at specified branches of Bank of Baroda/Investor Service Centres and the office of BOB Asset Management Company Ltd.
- b) Application forms must be completed in full in Block letters in English and may be signed in English or in any Indian language. In case of thumb impression, it must be attested either by a Magistrate or a Notary under his official seal.
- c) Applications should be submitted to any of the designated Investor Service Centres or Collecting Bankers designated branches or office of BOBAMC, duly accompanied by the subscription amount payable by cheques/drafts (for Minimum Rs. 3,000 and in multiples of Rs. 1000 thereof) drawn locally on any bank which is member of the Bankers clearing house located at the place where the application is submitted and should be made payable to "Scheme Name" and crossed "A/c Payee only". Stockinvests/outstation cheques/outstation drafts shall not be accepted.
- d) Applicants located at a place where there is no designated Investor Service Centre or designated Branch of the Collecting Bankers to the Offer, may send their applications accompanied with separate bank drafts, payable at Mumbai, in favour of "Scheme Name" and crossed "A/c Payee Only" to the office of BOBAMC at 105, Maker Chambers III, 10th floor, Nariman Point, Mumbai 400 021
- e) Investors should indicate their preference of Growth or Dividend options in the application forms. If no indication is given in the application forms the investment will be deemed to be for the Growth option. If both the options are selected, applications must be accompanied by two separate cheques.
- f) All cheques and bank drafts accompanying the application form should contain the application form number on its reverse. To prevent fraudulent encashment of dividend/ redemption/refund cheques, it is mandatory for applicants to fill in the details of the applicant's Bank Account in the space provided in the application form. Investors are requested to preserve the acknowledgement slip given by the Collecting Bank/Investor Service Centre.
- g) In case of NRIs and OCBs payments may be made by Indian Rupee drafts purchased abroad or by cheque drawn on NRE Accounts maintained by the banks authorised to deal in foreign exchange in India. In case of payment made by way of demand drafts, the Demand Draft should be accompanied by a Bankers certificate confirming that the funds have been utilised from NRE account. All cheques/drafts should be drawn in favour of "Scheme name" and crossed "A/c Payee only" and must be payable at par at Mumbai.
- h) NRIs/OCBs investing on a non-repatriable basis may do so by issuing cheques/demand drafts drawn on Non-Resident Ordinary (NRO) accounts.
- i) Foreign Institutional Investors shall pay their subscription by direct remittance from abroad or out of their special non resident Rupee account maintained with a designated bank in India.
- j) OCBs desiring to invest should furnish a certificate (in origin) from overseas auditors as per the format provided by RBI. Allotment of units to OCBs is subject to specific approval of RBI.
- k) Application forms duly completed in all respect must be lodged at the designated Investor Service Centre or designated branch of the collecting bankers to the Offer.
- l) Applicants are requested to note the following points before submitting application to any of the collection centres.
 - a) Separate cheques/demand drafts should accompany each application form
 - b) Stockinvests/Outstation cheques/Post dated cheques/Money orders/Postal orders shall not be accepted and such application will not be considered for allotment
- m) Cheques once returned shall not be represented and the accompanying applications shall not be considered for allotment.
- n) If an application is for units of the value of Rs. 50,000 or more, then the PAN/GIR number and IT Circle/Ward/District of the sole/first applicant should be mentioned.

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- o) In case any application is found to be incomplete, the same shall be liable to be rejected and refund of such application money will be made as soon as possible without any interest whatsoever after compliance of requisite operational and procedural formalities.
- p) Where an application is rejected in part or in full, application money will accordingly be refunded to the applicant. No interest will be paid on the amount so refunded. Letters of regret together with refund cheques/orders if any will be despatched by post. Refund will be made by cheques/pay orders.
- q) All communications and payments shall be made only to the sole/first applicant or to the Karta in case of HUF or to the parent or Guardian as the case may be in respect of minors.

Important Note:

1. Please read the terms and conditions of the Offer Document before filling the application. It must be clearly understood that all the applicants are deemed to have accepted the terms subject to which this offer is being made and bind themselves to terms thereof upon signing the application form and tendering payment.
2. The right to accept or reject any application in whole or in part lies with the BOB AMC/Trustees.
3. Investors are requested to read the instructions contained in the Application Form carefully, before submitting the same.

(iii) Applications under Powers of Attorney

In case of an application under a Power of Attorney or by a limited company or a body corporate or a registered society, or a trust, the original Power of Attorney or a certified copy thereof duly notarised or the relevant resolution or authority to make the application as the case may be, or a duly certified copy thereof, alongwith a certified copy of the Memorandum and Articles of Association and/or Bye-Laws and/or Trust Deed and/or Constitutive document should be lodged at the Office of the Registrars to the Schemes, simultaneously with the submission of application form to the Collecting Banker/Investor Service Centre quoting the reference number of the application form.

(iv) Mode of Payment

Payment may be made for a minimum of Rs. 3,000 and in multiples of Rs. 1000 thereof by cheque/bank draft, payable locally and drawn on any Bank which is a member of the Bankers clearing house located at the place where the application is submitted. Cheques/ drafts must be drawn in favour of "Scheme Name" and crossed "A/C Payee only". Stock invests/ outstation cheques or outstation drafts shall not be accepted.

(v) Nomination Facility

Nomination facility is available only for individuals applying on their own behalf i.e. either singly or jointly upto two. If an application is made in the name of individual applying on their own behalf i.e. either singly or jointly upto two, the Unitholder can, at the time when the application is made or subsequently thereafter nominate a successor to receive the Units upon his/her death, subject to the prescribed formalities. An applicant can change the nomination any time during the currency of the Schemes. Unitholders holding Units on a joint or first or survivor basis could nominate one person whose nomination will take effect only upon the death of all the Unitholders. However, persons applying on behalf of minors, Hindu Undivided Families, Partnership Firms, eligible trusts, societies and bodies corporate shall not be entitled to nominate.

(vi) Switchover Option

Unitholders of any of the aforesaid schemes shall have the option to switch their existing investments in one of the aforesaid schemes to another specified open ended scheme/close ended scheme (during the period of offer) of BOB Mutual Fund. The unitholders would also have option to switch their investments between the Dividend and the Growth Plans of the Schemes. The switchover can be exercised by the investor only after 30 working days from the closure of initial offer. The switchover would be subject to applicable load. All applications for switch received before 12.00 noon on any business day, the applicable NAV will be the NAV at the close of that business day. All applications received after 12.00 noon will be deemed to have been received on the next business day and the applicable NAV shall be the NAV at the close of that business day.

(vii) Depository Services

Units of the Schemes may, if decided by the Trustees, be issued through a Depository Participant in the dematerialised form. Under such circumstances, transfer of Units (wherever applicable) will be in accordance with the provisions of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and as may be amended from time to time

10. DIVIDENDS AND DISTRIBUTION

BOBMF may declare and pay dividend any time during the currency of the Schemes, depending on the performance of the Schemes. Dividends will be declared only under the dividend plan. BOBMF reserves the right to determine the frequency of dividend distribution. Those investors whose names appear in the register of unit holders as on the record date will be eligible for dividend. The record date will be declared through newspaper advertisements, press releases and other permissible circulations.

11. INTER SCHEME TRANSFERS

Transfer of Investments from one Scheme to another Scheme of BOBMF by BOBMF shall be allowed only if,

- a) Such transfers are done at the prevailing market price for quoted instruments on spot basis,
- b) The securities so transferred shall be in conformity with the investment objectives of the Schemes to which such transfer has been made,
- c) Transfer of unquoted instruments shall be done only with the specific approval of the Trustees, and
- d) The registration and accounting of the transaction shall be completed and ratified at the next meeting of the Board of Trustees.

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12. ASSOCIATE TRANSACTIONS

The following are details of associate transactions since commencement of First Scheme i.e. 01.04.1995:

- a) Bank of Baroda has invested in following schemes of BOB Mutual Fund is more than 5% of the NAV of the Scheme :

(Rupees in Lac)

Name of the Scheme	Amount
BOB Liquid Fund	4000
BOB Gilt Fund	1000
BOB Short Term Plan	5000

- b) Various Schemes of BOBMF had invested in Public Issue of equity shares of Bank of Baroda in December 1996. The details are as under:

(Rupees in Lac)

Scheme	No. of Shares	Amount of Investment (at cost)	Present holding of shares as on 16-07-2003	Cost	Market Value as on 16-07-2003
BOB ELSS '95	107000	90.95	65000	54.81	93.47
BOB ELSS '96	9800	8.33	6000	4.91	8.63

- c) The details of subscription by various Schemes of BOBMF in Public Issues in which Bank of Baroda/BOB Capital Markets Ltd. had acted as either Lead Manager/Manager or Advisor to the issue are as under:

Sr.	Name of the Company	Capacity	Name of Associate	No. of shares	Amount of Investment (At cost) (Rs. in Lac)
1.	Bank of Baroda	Advisor	BOB Capital Markets Ltd.	175800	149.43
2.	Corporation Bank	Advisor	BOB Capital Markets Ltd	30400	24.32
3.	Gujarat Mineral Development Corporation Ltd.	Lead Manager	BOB Capital Markets Ltd.	25450	33.09
4.	Gujarat Optical Communication Ltd.	Lead Manager	Bank of Baroda	600	0.06
5.	Kansal Fibres Ltd.	Lead Manager	Bank of Baroda	200000	20.00
6.	Krishna Filaments Ltd	Lead Manager	BOB Capital Markets Ltd.	20000*	32.00
7.	Soni Medicare Ltd.	Lead Manager	Bank of Baroda	25000	2.50

*Optionally Fully Convertible Discounted Debentures. The above subscriptions were made after due appraisal.

- d) In few cases investments were made in Money Market Instruments/Fixed Deposits of Bank of Baroda. However, investments were based on commercial consideration in accordance with the objectives of the respective Schemes.
- e) In order to meet any exigencies arising out of the ongoing repurchase facilities available to existing Unitholders of the Schemes, BOBMF has obtained sanction from Bank of Baroda for lines of credit of Rs. 4.50 crores for BOB ELSS '95 Scheme, Rs. 3.50 crores for its BOB Growth '95 Scheme, Rs. 70 Lac for BOB ELSS '96 Scheme and Rs. 46 Lac for BOB ELSS '97 Scheme.

Policy for Associate Transactions

At present BOBMF have no specific policy for investing in group companies of the Sponsor or for associate transactions. However, any such investment/transactions are made purely on business considerations and considering the objectives of the respective Schemes. The same policy will be followed in future and decision will be taken on case to case basis. However, the aggregate maximum investment to be made by each Scheme in the listed securities of Bank of Baroda or its Associates shall not exceed 10% of net assets of that Scheme from time to time.

It is the intention of BOBMF/BOBAMC to utilise the services of the Sponsor and/or its associates for marketing and distributing the Units of the Schemes and for other purposes as under:

Name	Indicative nature of transactions/ securities
Bank of Baroda	a. Marketing of Schemes through branches of Bank of Baroda b. Other usual banking transactions, c. Borrowing from Bank of Baroda for meeting excessive redemption
BOB Capital Markets Ltd.	a. Subscription to issues managed and/or underwritten by the Company, a. Proposal may be considered for private placement of bonds / debentures and other instruments received through the Company, b. Other Merchant Banking activities. c. Other securities/money market transactions.
BOB Cards Ltd.	Marketing of Schemes
BOB Housing Finance Ltd.	Marketing of Schemes

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While no commission structure has been agreed so far, the same will be negotiated at the time the Mutual fund proposes to utilise these services. The commission will be paid as per the market rates prevailing at the time these services are utilised.

13. BORROWINGS BY THE MUTUAL FUND

The BOBMF may borrow to meet temporary liquidity requirements for the purpose of repurchase/redemption of Units or payment of dividend to the Unitholders, provided that BOBMF shall not borrow more than 20% of the net assets of the Schemes and the duration of such a borrowing shall not exceed a period of 6 months. In order to meet any exigencies arising out of payment of dividend and ongoing repurchase facility available to Unitholders of the Schemes, BOBMF may obtain sanction of a line of credit for the Schemes from Bank of Baroda.

14. NET ASSET VALUE (NAV) AND VALUATION OF ASSETS OF THE SCHEMES

(i) Disclosure of NAV

The Net Asset Value will be calculated by the Mutual Fund on each working day and published at least in two daily newspapers. The information on NAV may be obtained by the unitholders, on any day, by calling the office of the BOBAMC or any of the Investor Service Centres or the office of the Registrar. The first such declaration of NAV will be made immediately after the Schemes opens for sale and redemption on ongoing basis.

(ii) Calculation of NAV

Net Asset Value (NAV) of the Schemes shall be determined by dividing the net assets of the Schemes by the number of outstanding units on the valuation date and is computed as shown below:

$$\text{NAV (Rs.)} = \frac{(\text{Market/fair value of securities} + \text{accrued income} + \text{receivables} + \text{other assets}) - (\text{accrued expenses} + \text{payables} + \text{other liabilities})}{\text{Number of units outstanding}}$$

NAV will be calculated upto 2 decimal place.

(iii) Repurchase price shall not be lower than 93% of the NAV and the sale price shall not be higher than 107% of the NAV and the difference between the repurchase price and sale price shall not exceed 7% on the sale price.

(iv) Valuation of assets

The valuation norms are indicated based on the current Regulations and the guidelines/instructions issued by SEBI.

1. Traded Securities

- a) Traded securities shall be valued at the last quoted closing prices on the stock exchange where the security is principally traded.
- b) When the securities are traded on more than one recognised stock exchange, the securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded. The AMC will select the appropriate stock exchange and will record the reason for such selection. All scrips may be valued at the prices quoted on the stock exchange where a majority in value of investments are principally traded.
- c) When a security is not traded on selected stock exchange on a particular valuation day, the value at which it was traded on another stock exchange may be used.
- d) When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on any stock exchange on the earliest previous day may be used provided such date is not more than thirty days prior to the valuation date.

2. Non-traded Securities:

- a) When a security is not traded on any stock exchange for a period of thirty days prior to the valuation date, the same will be treated as a 'Non-traded' security.
- b) Non-traded securities shall be valued as per guidelines issued by SEBI or any other regulatory authority from time to time.

For the purpose of valuation of non-traded securities, the following principles will be adopted:

- a) Equity instruments shall generally be valued on the basis of capitalisation of earnings solely or in combination with the net asset value, using for the purpose of capitalisation, the price or earnings ratios of comparable traded securities and with an appropriate discount for lower liquidity;
- b) 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 same basis as would be applicable to a debt instrument. The convertible component shall be valued on the same basis as would be applicable to an equity instrument. If, after conversion the resultant equity instrument would be traded pari passu with an existing instrument which is traded, the value of latter instrument can be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding the conversion. While valuing such instruments, the fact whether the conversion is optional shall also be factored in;
- d) In respect of warrants to subscribe for shares attached to instruments, the warrants would be valued at the value of the share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant. A discount similar to the discount to be determined in respect of convertible debentures (as referred to in sub-paragraph (b) above) would be deducted to account for the period which must elapse before the warrant can be exercised;

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- e) Where instruments have been bought on 'repo' basis, the instrument shall 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, the depreciation would be provided for and if the repurchase price is lower than the value, credit would be taken for the appreciation.

Valuation of government securities (not traded for more than 30 days or one which will qualify as thinly traded security)

All government securities which are not traded for more than 30 days or one which qualify as thinly traded security shall be valued at yield to maturity based on the prevailing market rate.

Valuation of money market securities

While investments in call money, bills purchased under rediscounting scheme and short term deposits with banks shall be valued at cost plus accrual, other money market instruments shall be valued at the yield at which they are currently traded. For this purpose non-traded instruments, that is instruments not traded for a period of seven days, 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.

Thinly Traded Debt Securities

A debt security (other than Government Securities) that has a trading volume of less than Rs. 15 crores for a period of thirty days prior to the valuation date shall be considered as a thinly traded security based upon information provided by the stock exchanges on the volume of trading of debt securities.

In order to determine whether a debt security is thinly traded or not the volumes traded in all recognised stock exchanges in India may be taken into account.

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

Non Traded debt Securities

When a debt security (other than Government Securities) is not traded on any stock exchange for a period of fifteen days prior to the valuation date, the scrip must be treated as a 'non traded' security.

Valuation Of Non-Traded / Thinly Traded debt Securities

Non traded/ thinly traded debt securities shall be valued by BOBAMC as follows:

A. Non traded /thinly traded debt securities of upto 182 days to maturity

All non traded / thinly traded debt securities (other than Government securities) purchased with a residual maturity upto 182 days shall be valued as below:

$[(\text{Cost price} + \text{Accrued interest}) + (\text{Redemption value} - \text{Cost price})] / (\text{No. of days to maturity})$

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.

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.

a) Investment grade securities

All non government investment grade securities will be valued as per the yield to maturity basis based on matrix of risk free benchmark yield of government securities and matrix of spreads over such risk free yields and adjusted for illiquidity risk.

b) Non-Investment grade securities

The non-investment grade securities would further be classified as "Performing" and "Non Performing" assets.

1) Non Performing Assets (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 / instalment has fallen due. When an asset is classified as NPA, the provisioning for the same will be done in a phased manner as per the table given below:

% of provision	Time of provision
10%	3 months from the date of classification as NPA
20%	6 months from the date of classification as NPA
20%	9 months from the date of classification as NPA
25%	12 months from the date of classification as NPA
25%	15 months from the date of classification as NPA

2) Performing Assets

All performing assets shall be valued at 75% of the face value of the asset.

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Valuation of Derivative Products

- a) The traded derivatives shall be valued at market price in conformity with the stipulations of sub clauses (i) to (v) of clause 1 of the Eighth Schedule to the SEBI (Mutual Funds) Regulations, 1996.
- b) The valuation of untraded derivatives shall be done in accordance with the valuation method for untraded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the SEBI (Mutual Funds) Regulations, 1996.

Until they are traded, the value of the "rights" shares would be calculated as:

$$V_r = n/m \times (P_{ex} - P_{of})$$

Where

V_r = Value of rights

n = No. of rights offered

m = No. of original shares held

P_{ex} = Ex-rights price

P_{of} = Rights Offer Price

Where the rights are not treated pari-passu with the existing shares, suitable adjustment would be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights can be valued at the renunciation value.

- c) All expenses and incomes accrued upto the valuation date shall be considered for computation of NAV. For this purpose, while major expenses like management fees and other periodic expenses would be accrued on a day to day basis, other minor expenses and income need not be so accrued, provided the non-accrual does not affect the NAV calculations by more than 1%.
- d) Any changes in securities and in the number of units will be recorded in the books not later than the first valuation date following the date of transaction. If this is not possible given the frequency of the Net Asset Value disclosure, the recording may be delayed upto a period of seven days following the date of the transaction, provided that as a result of non-recording, the NAV calculations shall not be affected by more than 1%.

The valuation norms as outlined above are as per the prevailing SEBI Regulations and are subject to change from time to time to be in conformity with changes made by SEBI.

15. REPURCHASE / REDEMPTION OF UNITS

Repurchase facility is available not later than 30 working days after the closure of the initial offer. Redemption requests can be sent on the specified form or by using the form at the bottom of the Account Statement to any of the designated Investor Service Centres or to the office of BOBAMC or to the Registrar & Transfer Agents of the Schemes. Redemption of Units will be made on any working day at the applicable NAV. For redemption requests received upto 2.00 P.M. on a Business Day, the Applicable NAV will be the NAV at the close of the Business Day on which the Application is received, subject to it being complete in all respect, subject to applicable load, if any of the respective plan. Requests received after 2.00 P.M. shall be treated as having been received on the next Business Day. BOBMF, however, may limit the right to make redemptions. See "Right to Limit Redemptions" below. All redemption request forms should contain the Unitholder's account number and should be duly signed by all Unitholders on record.

(i) Payment of Redemption Proceeds

Redemption proceeds will be paid either by "At Par" warrants/cheques/drafts payable at the specified centres or by Demand Drafts or any other suitable instrument and payments will be made in favour of the first registered Unitholder. Redemption Instruments/DD will be sent to the first registered Unitholder's address available on the record of BOBMF. It is mandatory for unitholders to mention their bank account details in their request for redemption.

As per SEBI Regulations, the Mutual Fund shall dispatch the Redemption proceeds within 10 Business Days of receiving a valid repurchase request at any of the Investor Service Centres, subject to the Mutual Fund's right to limit repurchase. However, BOBMF will under normal circumstances endeavour to mail payments within 3 working days from the date of redemption or repurchase, subject to the BOBMF's right to limit redemptions as described below. The date of receipt of a redemption request will be the actual working day of either the mail receipt at the specified centre or of actual receipt of an in-person request. Bank Charges, if any, shall be to the account of and be borne by the Unitholders.

(ii) Interest on delayed despatch of redemption Proceeds

Subject to Clause 15(iv) herein below, in the event of failure to despatch the redemption/repurchase proceeds within 10 working days from the date of redemption or repurchase to the unitholder, BOBAMC would be liable to pay interest @ 15% per annum. The interest for the period of delay will be added to redemption/repurchase proceeds when such payments are made to the unitholders.

(iii) Redemption by NRIs, OCBs, and FIIs

Credit balance in the account of an NRI, OCB, and FII Unitholder, where RBI final approval has been obtained, may be redeemed by such Unitholder in accordance with the procedure described above and subject to such procedures specified by RBI in that behalf. Such redemption proceeds will be paid by means of a Rupee cheque/draft payable to the account of the Unitholder, or by a US Dollar draft drawn at the then current rate of exchange subject to RBI procedures and approvals.

As mentioned above, in terms of Notification No. FERA.195/99-RB dated March 30, 1999 and FERA.212/99-RB dated October 18, 1999, the RBI has now granted a general permission to mutual funds as referred to in Section 10(23D) of Income-Tax Act, 1961 for repurchase of units of the schemes which are approved by SEBI, held by NRIs/OCBs/FIIs.

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(iv) BOBMF's Right to Limit Redemption

The Trustees may, at their sole discretion whether in response to unforeseen circumstances or unusual market conditions, limit the total number of Units which may be redeemed on any working day to 5% of the total number of Units then in issue (or such percentage as the Trustees may determine in any particular case).

In addition, the Trustees reserve the right, at their sole discretion, to limit redemptions with respect to any single Unitholder to an amount of Rs. 10 Lac on any working day. All Units which, by virtue of these limitations, are not redeemed on a particular working day will be carried forward for redemption on the following working day, in order of receipt. Redemptions carried forward will be made at the Applicable NAV (less applicable load, if any) in effect on the subsequent working day(s) on which the redemption request is processed. To the extent multiple redemptions are being satisfied on a single working day then under these circumstances, such payments will be made pro-rata, based on the size of each redemption request. Under such circumstances, redemption cheques may be mailed out to investors within a reasonable period of time.

Suspension of Sale / Redemption / Switching options of the Units

The Mutual Fund at its sole discretion reserves the right to withdraw Sale and /or Repurchase or Switching of the Units in the Scheme (including any one of the plan of any of the Scheme) temporarily or indefinitely, if in the opinion of the AMC the general market conditions are not favourable and /or suitable investment opportunities are not available for deployment of funds. However, the suspension of Sale/ Repurchase/Switch either temporarily or indefinitely will be with the approval of the Trustees

The Sale, Redemption or Switching of Units may be temporarily suspended under the following conditions :

1. When one or more stock exchanges or markets, which provides basis for valuation for substantial portion of the assets of the Scheme is closed otherwise than for ordinary holidays
2. When, as a result of political, economic or monetary events or any circumstances outside the control of the Trustees and the AMC, the disposal of the assets of the Scheme is not reasonable, or would not reasonably be practicable without being detrimental to the interests of the Unitholders.
3. In the event of breakdown in the means of communication used for the valuation of investments of the Scheme, without which the value of the securities of the Schemes cannot be accurately calculated
4. During periods of extreme volatility of markets, which in the opinion of the AMC, are prejudicial to the interests of the Unitholders of the Scheme
5. In case of natural calamities, war, strikes, riots and bandhs
6. In the event of any force majeure or disaster that affects the normal functioning of the AMC or the ISC
7. During the period of Book Closure
8. If so directed by SEBI.

The AMC reserves the right in its sole discretion to withdraw the facility of Sale and switching option of Units into and out of the Scheme, temporarily or indefinitely, if AMC views that changing the size of the corpus further may prove detrimental to the existing Unit holders of the Scheme

In the above eventualities the time limits for processing of requests for redemption of Units will not be applicable.

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

(v) Unclaimed Redemption Amount

Any amount remaining unclaimed/unpaid in respect of redemption and/or dividend will be deployed in call money market or any other money market instruments. Any amount remaining unclaimed/unpaid in excess of three years 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.

(vi) Right to close a Unitholder's Account

The Mutual Fund may close a Unitholder's account whenever, due to redemptions, the value of the account falls below the minimum account balance (Rs. 2,000) and the Unitholder fails to purchase sufficient units to bring the value of the account up to the minimum required balance or more, in the next 30 days. Without being obliged to, a written notice may be sent by the Mutual Fund to the Unitholder intimating that the balance in his account has fallen below the minimum balance and within the given time frame the Unitholder should replenish the account by purchase of fresh Units.

16. ACCOUNTING POLICIES AND STANDARDS

In accordance with Regulation 50 read with Ninth Schedule to SEBI (Mutual Funds) Regulations 1996, the Mutual Fund shall follow the following accounting policies.

- a) BOBAMC shall keep and maintain proper books of accounts, records and documents, for the Schemes so as to explain its transactions and to disclose at any point of time the financial position of the Schemes 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, BOBMF shall mark all investments to market and carry investments in the balance sheet at market value. However, since the unrealised gain arising out of appreciation on investments cannot be distributed, provisions shall be made for exclusion of this item when arriving at distributable income.

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- c) Dividend income earned by the Schemes shall be recognised, not on the date the dividend is declared, but on the date such share is quoted on an ex-dividend basis. For investments which are not quoted on stock exchanges, dividend income would be recognised on the date of declaration.
- d) In respect of all interest-bearing investments, income shall be deemed to have 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 upto the date of purchase shall 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 upto the date of sale shall 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.
- f) Transactions for purchase or sale of investments shall be recognised 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, acquisitions 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 Schemes obtains an enforceable obligation to pay the price or, in the event of a sale, when the Schemes obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
- g) Bonus shares to which a Scheme becomes entitled to shall be recognised only when the original shares on which the bonus entitlement accrues are traded on the Stock Exchange on an ex-bonus basis. Similarly, rights entitlement would be recognised only when the original shares on which the rights entitlement accrues are traded on the stock exchange on an ex-rights 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, the difference between the sale price and the face value of the Unit, if positive, shall be credited to reserves and if negative is debited to reserve, the face value being credited to Capital Account. Similarly, when Units are repurchased, 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.
- j) When Units are sold, an appropriate part of the sale proceeds shall be credited to an Equalisation Account and when Units are repurchased, an appropriate amount would be debited to Equalisation Account. The net balance on this account shall be credited or debited to the Revenue Account. The balance on the Equalisation Account debited or credited to the Revenue Account shall not decrease or increase the net income of the Fund but would only be 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.
- k) The cost of investments acquired or purchased would include brokerage, stamp charges 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 recognised as revenue only when there is no devolvement on the Schemes. Where there is devolvement on the Schemes, 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 as outlined above are as per the prevailing SEBI (Mutual Funds) Regulations 1996 and are subject to change from time to time in conformity with changes in the said SEBI Regulations.

Annual Financial Reports and Half Yearly Disclosures

As required by the SEBI (Mutual Fund) Regulations 1996, the Mutual Fund will publish as soon as practical after 31st March each year but not later than six months thereafter as the Trustees may decide, accounts relating to the affairs of the Fund and the Schemes for the period ending 31st March, provided that the first such accounts will relate to the period ending 31st March, 2003. The Mutual Fund will make all disclosures required by SEBI Regulations, including information about the entire portfolio held by the Mutual Fund under the Schemes.

An abridged annual report of the Schemes will be mailed to all the Unitholders not later than six months from the date of closure of the relevant accounting year and the full annual report will be available for inspection at the head office of the mutual fund and a copy will be furnished to the Unitholders upon a written request and on payment of such fees as may be specified by the Board of Trustees from time to time.

The Mutual Fund shall before the expiry of one month from the close of each half year that is on 31st March and 30th September publish the unaudited financial results in the prescribed format as per SEBI Circular MFD/CIR/1/200/2001 dated April 20, 2001 in one national English daily newspaper and in a newspaper in the language of the region where the Head Office of the mutual fund is situated.

The Mutual Fund shall before the expiry of one month from the close of each half year that is on 31st March and 30th September publish its Schemes portfolio in the prescribed format as per SEBI Circular MFD/CIR/9/120/2000 dated November 24, 2000 in one English daily newspaper and in a newspaper in the language of the region where the Head Office of the mutual fund is situated or send a copy to all the unitholders.

17. TAX BENEFITS

Under the current tax laws, the following tax benefits interalia will be available to the Mutual Fund and its investors. The tax laws of the country are subject to change from time to time, investors are therefore advised to seek independent advice from their professional advisors regarding the taxation consequences of investing in the Schemes.

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(i) To the Mutual Fund

- a) Under Section 10(23D) of the Income-tax Act, 1961, any income of the Mutual Fund is exempt from Income tax subject to the conditions specified by the Central Government in its notification Nos.S.O.122 (E) dated 24th February, 1993.
- b) Under section 196 of the Income-tax Act, 1961, the Mutual Fund will be entitled to receive all Income without deduction of tax at source.
- c) Under Section 115R of the Income-tax Act, 1961, any amount of income distributed by a mutual fund to its unit holders shall be chargeable to tax and such mutual fund shall be liable to pay additional income tax on such distributed income at the rate of twelve and one half per cent plus surcharge at two and half percent on such additional income tax.

Provided that open-ended equity oriented funds will not be liable for additional tax on income distributed to unit holders for a period of one year commencing from the 1st day of April, 2003.

(ii) To Unit holders

- a) Dividend from Mutual Fund received by the unit holders on or after April 1, 2003 is exempt from Income Tax.
- b) Under Section 2(42A) of the Act, a unit of a Mutual Fund is treated as long term capital asset if the same is held for more than 12 months. Accordingly, sale of such asset will result in long term gains taxable at concessional rates.
- c) Under Section 112 of the Act, capital gains chargeable on transfer of long-term capital assets are subject to tax at the rate of 20%. The capital gains will be computed by deducting the following amounts from the sale consideration :
 - Expenditure incurred wholly and exclusively in connection with such transfer; and
 - Cost as inflated by the cost inflation index notified by the Central Board of Direct Taxes.
- d) In case of an individual or HUF, being a resident, where the total income as reduced by the long term capital gains is below the maximum amount not chargeable to tax, the long term capital gains shall be reduced to the extent of the shortfall and only the balance long term capital gains will be subject to the flat rate of taxation. However, the maximum tax payable on long-term capital gains on units is restricted to 10% of capital gains calculated without indexation of cost.
- e) In addition to the aforesaid tax, a surcharge at applicable rate of such tax liability is also payable.
- f) The capital loss resulting from sale of units would be available for setting off against other capital gains made by the investor and would reduce the tax liability of the investor to that extent. However, in terms of Section 70, capital loss on transfer of long term capital asset would be allowed to be set off only against gains from transfer of long term capital assets and balance long term capital loss shall be carried forward separately for setting off only against long-term capital gains in subsequent years.
- g) The long term capital gains on transfer of units would be exempt from tax under Section 54EC of the Act if the entire capital gain realized is invested within six months of the date of transfer in bonds which are redeemable after three years issued by National Bank of Agricultural and Rural Development, National Highway Authority of India or Rural Electrification Corporation Limited, National Housing Bank and Small Industrial Development Bank of India. However, if the amount invested in bonds is less than the capital gains realized only proportionate capital gains would be exempt from tax. If the bonds so acquired are sold or otherwise transferred within three years, then the amount exempted from tax would become taxable.
- h) The long term capital gains on transfer of units would be exempt from tax under Section 54ED of the Act if the entire capital gain realized is invested within six months of the date of transfer in public issue of equity shares of a company formed and registered in India. However, if the amount invested in public issue is less than the capital gains realized only proportionate capital gains would be exempt from tax. If the equity shares so acquired are sold or otherwise transferred within one year, then the amount exempted from tax would become taxable.
- i) Under Section 195 of the Act, the Mutual Fund is required to deduct tax at source at the rate of 20% on any long-term capital gains if the payee Unit holder is a non-resident. In respect of short-term capital gains, tax is required to be deducted at source at the rate of 30% if the payee Unit holder is a non-resident non-corporate and at the 40% if the payee Unit holder is a foreign company. Further, the aforesaid tax to be deducted is required to be increased by a surcharge at applicable rate of such tax liability. As per CBDT circular No.715 dated August 8, 1995 in case of Resident Unit holders, no tax is required to be deducted at source from capital gains arising at the time of repurchase or redemption of the units.
- j) As per circular No.728 dated October 30, 1995 issued by the Central Board of Direct Taxes in the case of a remittance to a country with which a 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 the DTAA whichever is more beneficial to the assessee. In order for the Unit holder to obtain the benefits of a lower rate available under a DTAA, the Unit holder will be required to provide the Mutual Fund with a certificate obtained from his Assessing Officer stating his eligibility for the lower rate.

Wealth Tax

Value of investments in unit under the Scheme is fully exempt from the Wealth Tax.

Gift Tax

The Gift Tax Act, 1958 has been abolished from 1st October, 1998. Hence there would be no incidence of Gift Tax in respect of gifts of these units.

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Notes:

- 1) All tax benefits will be available only to the sole unitholder or the first named unit holder in case the units are held in the names of more than one person.
- 2) The tax rates may be changed by Government of India from time to time, in which case the rates applicable will be the then prevailing rates.
- 3) As advised by C. C. Dalal & Co., Chartered Accountants, Mumbai, Tax consultants to the Fund, vide their letter no. K/950 dated 22-07-2003

18. INVESTORS RIGHTS AND SERVICES

(i) Investors' Rights

- a. The Unitholders of the Schemes have a proportionate right in the beneficial ownership of the assets of and the dividends declared by the Mutual Fund for respective Schemes.
- b. The investors in the Schemes have right to receive the Account statement not later than 4 weeks from the date of receipt of application for purchase of Units of the Schemes.
- c. The appointment of the Investment Manager for the Schemes can be terminated by a resolution passed by 75% of the Unitholders of the Schemes or by majority of Trustees.
- d. The Board of Trustees is obliged to convene a meeting on a requisition of 75% of the Unitholders.
- e. 75% of the Unitholders of a Schemes can pass a resolution to wind up the Schemes.
- f. Unitholders are entitled to receive dividend warrant within 30 days of the date of declaration of the dividend, if any. Despatch of redemption or repurchase proceeds shall be made within 10 working days from the date of redemption or repurchase.
- g. Unitholders would be entitled to request the Trustees for any information which may have an adverse bearing on their investments in the Schemes and the Trustees shall be bound to disclose such information to the Unitholders.
- h. The Trustees shall obtain the consent of the Unitholders:
 - 1) whenever required to do so by SEBI, in the interest of Unitholders,
 - 2) whenever required to do so on the requisition made by three-fourths of the Unitholders of a Scheme,
 - 3) when the Trustees decide to wind-up or prematurely redeem the Units,
 - 4) whenever any amendments to the Trust Deed affects the interest of Unitholders. In such cases the consent/approval of the unitholders shall be taken prior to carrying out any amendment to the Trust Deed.
- i. The trustees shall ensure that no change in the fundamental attributes of the Schemes or the trust or fees and expenses payable or any other change which would modify any of the Schemes and affect the interest of the Unitholders, shall be carried out, unless
 - 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 BOBMF is situated;
 - the unitholders are given an option to exit at the prevailing NAV without any exit load.
- j. No amendments to the trust deed shall be carried out without the prior approval of SEBI and unitholders approval would be obtained where it affects the interests of unitholders.
- k. An abridged schemewise annual report shall be mailed to all unitholders not later than six months from the date of closure of the relevant accounting year and the full annual report shall be available for inspection at the head office of the Mutual Fund and a copy shall be made available to the unitholders on request on payment of nominal fees if any.
- l. The Mutual Fund shall before the expiry of one month from the close of each half year that is on 31st March and 30th September publish the unaudited financial results in the prescribed format as per SEBI Circular MFD/CIR/1/200/2001 dated April 20, 2001 in one national English daily newspaper and in a newspaper in the language of the region where the Head Office of the Mutual Fund is situated.
- m. The Mutual Fund shall before the expiry of one month from the close of each half year that is on 31st March and 30th September publish its Schemes portfolio in the prescribed format as per SEBI Circular MFD/CIR/9/120/2000 dated November 24, 2000 in one English daily newspaper and in a newspaper in the language of the region where the Head Office of the Mutual Fund is situated or send a copy to all the unitholders.
- n. The Mutual Fund shall also display its financial results and portfolio statements in its website in terms of SEBI Regulations.
- o. Suspension or restriction of repurchase/redemption facility under any scheme shall be made applicable only after the approval from Board of Directors of AMC and the Trustees. The approval from AMC Board and the Trustees giving details of circumstances and justification for the proposed action shall also be informed to SEBI.

(ii) Documents available for inspection

The following documents are available for inspection by investors at the office of BOB Mutual Fund at 105, Maker Chambers III, 10th floor, Nariman Point, Mumbai 400 021, from 2.00 p.m. to 5.00 p.m. on all working days:

- a) The Trust Deed and a copy of the Indian Trusts Act, 1882
- b) Investment Management Agreement

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- c) Memorandum and Articles of Association of the Investment Manager
- d) The Schemes Rules and Regulations/detailed Offer Document
- e) Consent from Bankers to the Issue and Auditors to the Schemes to act in such capacity
- f) Agreement entered into with Registrars and Transfer Agents
- g) Agreement entered into with Custodians
- h) SEBI (Mutual Funds) Regulations, 1996 issued by Securities and Exchange Board of India

19. INVESTOR GRIEVANCES REDRESSAL MECHANISM

BOB Mutual Fund has so far launched seven schemes. The Fund receives enquiries/complaints from some of the Unitholders under the Schemes on various matters like non- receipt/loss of Unit Certificates and repurchase warrants, change of address etc. The Mutual Fund has a system of close follow-up with its Registrars and Transfer Agents in respect of complaints/enquiries received from the Unitholders, with a view to resolve them quickly. Prompt action has been taken on all enquiries/ complaints received so that none of the enquiries/complaints are pending for more than 30 days. The Mutual Fund's Registrars and transfer Agents have adequate infrastructure to handle the investors' queries/complaints and are attending to them on a daily basis. BOBMF has also evolved a system of periodic reports from the Registrars for monitoring and early redressal of complaints. Given below is the table showing number of complaints received and redressed under various schemes of BOBMF:

	1998-99		1999-2000		2000-01	
	Received	Redressed	Received	Redressed	Received	Redressed
ELSS '95	139	139	311	311	201	201
ELSS '96	33	33	47	47	45	45
ELSS '97	15	15	14	14	28	28
BOB INCOME FUND	-	-	-	-	-	-
BOB GILT FUND	-	-	-	-	-	-
BOB INCOME FUND	-	-	-	-	-	-

	2001-02		2002-03		1.4.2002-15.07.2003	
	Received	Redressed	Received	Redressed	Received	Redressed
ELSS '95	69	69	20	20	3	3
ELSS '96	209	209	-	-	1	1
ELSS '97	62	62	2	2	-	-
BOB INCOME FUND	1	1	3	3	-	-
BOB GILT FUND	1	1	3	3	-	-
BOB LIQUID FUND	-	-	-	-	-	-
BOB STP	-	-	-	-	-	-

During last 3 years, BOBMF has received only twelve complaints through SEBI in respect of its various schemes. All of them have been resolved satisfactorily. All the other complaints were resolved within a reasonable time. This reflects well on BOBMF's excellent investor service record.

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

- a. All cases of penalties awarded by SEBI under the SEBI Act or any of its regulations against the Sponsor of the Mutual Fund or any company associated with the Sponsor in any capacity including the Asset Management Company, Trustee Company/Board of Trustees, or any of the directors or key personnel (specifically the fund managers) of the Asset Management Company and Trustee Company. The nature of the penalty must be disclosed. For Sponsor and its associates, other than the penalties as mentioned above, the penalties awarded by any financial regulatory body, including stock exchanges, for defaults in respect of shareholders, debentureholders and depositors shall also be disclosed. Additionally, penalties awarded for any economic offence and violation of any securities laws shall be disclosed.

There are no such cases.

- b. Any pending material litigation proceedings incidental to the business of the Mutual Fund to which the Sponsor of the Mutual Fund or any company associated with the Sponsor in any capacity including the AMC, Board of Trustees /Trustee Company or any of the directors or key personnel is a party. Any pending criminal cases against the Sponsor or any company associated with the Sponsor in any capacity including the AMC, Board of Trustees/Trustee Company or any of the directors or key personnel should also be disclosed separately.

M/s. M.S. Shoes East Limited, a company on whose behalf Bank of Baroda acted as Co-Lead Manager to the issue together with SBI Capital Markets Ltd. and other lead managers for public issue dated 14th February 1995 of their Fully Convertible Debentures (FCD) of

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Rs.693 Crores have filed a complaint with the Metropolitan Magistrate – Delhi vide FIR dated 01.10.2000 bearing no.415/2000 alleging conspiracy as regards their own action in having deposited cheques of their associate concerns with a view to see that the FCD issue is fully subscribed within 4 days of the commencement of the issue so that liability of Banks as underwriters to honour their underwriting commitments does not inter-alia devolve on Bank and other Banks/institutions acting as Co-Lead Managers and underwriters. The said complaint has been entrusted for investigation to CBI by the Magistrate. The complaint filed by the said M.S.Shoes East Ltd. was earlier investigated by SEBI who in terms of their letter no. PMD/JN9/10152/91 dated 17.6.1996 advised that upon investigation no action against Bank is recommended. The Complaint is being dealt with by Bank.

- c. Any deficiency in the systems and operations of the Sponsor of the Mutual Fund or any company associated with the Sponsor in any capacity including the Asset Management Company or the Board of Trustees which SEBI has specifically advised to be disclosed in the Offer Document, or which has been notified by any other regulatory agency.

There are no such cases.

- d. Any inquiry/adjudication proceedings under the SEBI Act and the Regulations made thereunder, that are in progress against the Sponsor of the Mutual Fund or any company associated with the Sponsor in any capacity including the Asset Management Company, Board of Trustees or any of the Directors or key personnel of the Asset Management Company shall be disclosed.

Following inquiry/adjudication proceedings are in progress:

- i. SEBI has directed Bank of Baroda, the Sponsor to refund a sum of Rs. 40,31,018/- together with interest @ 15% p.a. from 25.03.1996 i.e. the day they allowed withdrawal of the funds by Jaltarang Motels Ltd. in respect of funds collected from Public Issue in terms of order dated 19.01.2000 issued under Section 11B of SEBI Act. Detailed instructions on the method and manner of refund to the investors in the public issue are to be advised by SEBI separately in consultation with the intermediaries concerned. Bank of Baroda had preferred an appeal against the said order to the Appellate Authority. The Appellate Authority namely Securities Appellate Tribunal has considered and rejected Bank's appeal by order dated 27.07.2000. The Bank has challenged the order of the Appellate Authority in the Mumbai High Court by filing Appeal No. 2 of 2000 under provisions of Section 152 of the SEBI Act, 1992. Later, on 13.11.2000 the single judge of the Mumbai High Court Mr. Justice F. I. Rebello has granted interim relief of stay of the operation of the orders dated 27.07.2000 of Securities Appellate Tribunal and 19.01.2000 passed by SEBI and further directed that the matter be placed on board for final hearing. The case is now listed to come up for hearing and disposal before the Division Bench of Bombay High Court.
- ii. At the time of sanctioning credit facilities to Trident Steels Ltd. way back in the year 1987/89, Bank of Baroda, the Sponsor had obtained undertaking from the promoters/ directors/ major shareholders that they would not dispose off the shares unless permission is obtained from the Bank. Public issue of the said Company was lead managed by Bank of Baroda in November 1993. SEBI has alleged non disclosure of undertaking of 1987/89 given by promoters/ directors/ investors in the Prospectus by the Lead Manager to the issue. Bank of Baroda has replied to the notice of SEBI. Inquiry is pending.
- iii. Public issue of Kraft Industries Ltd., which came in May 1995, was lead managed by Bank of Baroda, the sponsor. It is alleged that the Managing Director and Promoter of the Company did not possess the qualifications as mentioned in the Prospectus as Cost Accountant and MBA in International Finance from Lausanne University, Switzerland. SEBI has asked for qualification certificates/ copies from Bank of Baroda. The Managing Director of the Company has reported having lost the certificates in transit. Bank of Baroda has replied accordingly to SEBI. The matter is pending with SEBI.

21. MISCELLANEOUS PROVISIONS AND OTHER INFORMATION

(i) Register of Unitholders

A register of unit holders under the Schemes shall be maintained at the Office of the Registrars to the Schemes and at such other places as the Trustees may decide.

(ii) Power to make rules

The Trustees may from time to time prescribe such forms and make such rules for the purpose of giving effect to the provisions of the Schemes with powers to the Trustees to add to, alter or amend all or any of the forms and rules that may be framed from time to time in keeping with the requirements of the Schemes, subject to the SEBI guidelines and regulations in that behalf and its prior approval, if necessary.

The terms of the Schemes including all amendments thereto from time to time shall be binding on the Unitholders and all persons claiming through or under him/her/them as if he/she/they had expressly agreed that they be so binding.

(iii) Power to remove difficulties

If any difficulty arises in giving effect to the provisions of the Schemes, the Trustees may take such steps, which are not inconsistent with these provisions, which appear to them to be necessary or expedient, for the purpose of removing the difficulties.

(iv) Jurisdiction

Any dispute arising out of the above shall be subject to the jurisdiction of any courts in India. Statements in this Offer Document are, except where otherwise stated, based on law and practice currently in force in India and are subject to changes therein.

(v) Procedure for seeking approval of unitholders in specified circumstances

Where the approval of unitholder is required to be obtained under certain specified circumstances (hereinafter referred to as specified circumstances), the following procedure will be followed:

- a) Unitholders approval in specified circumstances may be obtained by convening a meeting of unitholders or by postal ballot as the Trustees may deem expedient.

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- b) A record date will be fixed to ascertain the list of unitholders for the purpose. The Mutual Fund shall give atleast 7 days notice of record date, which will be published atleast in one daily newspaper with a nationwide circulation.
- c) Where a meeting of unitholders is proposed to be held, notice convening the meeting will be sent to all the unitholders entitled to receive the same atleast 21 days in advance.
- d) Where the approval of unitholders is sought by postal ballot, a notice setting out the draft resolutions to be passed will be sent to all the unitholders entitled to receive the same atleast 21 days in advance.
- e) The resolution should be approved by requisite majority of unitholders.
- Notwithstanding above, the Trustees shall be entitled to adopt or modify the aforesaid procedure as per SEBI (Mutual Funds) Regulations as amended from time to time.

(vi) Particulars of existing Schemes

BOB Mutual Fund has so far launched seven schemes viz.; BOB ELSS '95, BOB Growth '95, BOB ELSS '96 and BOB ELSS '97. The particulars of these Schemes are given below :

	Scheme objective	Close/Open ended	Duration of the Scheme	Date of allotment	No. of Investors	Initial Corpus of the Scheme (Rs. Crore)
BOB ELSS '95	Tax Benefit cum Growth Scheme	Close ended	10 years	31.3.95	61,431	37.84
BOB ELSS '96	Tax Benefit cum Growth Scheme	Open ended w.e.f. 23.03.2000	Perpetual	30.3.96	5827	3.46
BOB ELSS '97	Tax Benefit cum Growth Scheme	Close ended	10 years	31.3.97	2257	1.60
BOB Liquid Fund	Generate income with a high level of liquidity	Open ended	Perpetual	21.2.2002	30	44.54
BOB Gilt Fund	Generate income by investing in a portfolio of Govt. Securities	Open ended	Perpetual	21.3.2002	201	6.59
BOB Income Fund	To generate income by investing in a portfolio of good quality fixed income securities	Open ended	Perpetual	21.3.2002	349	8.15
BOB Short Term Plan (Under BOB Income Fund)	To generate income by investing in a portfolio of debt securities with lower maturity.	Open ended	Perpetual	5.12.2002	26	74.46

The Schemes under this Offer Document were approved by the Board of Trustees of BOBMF in their meeting held on 09-07-2001.

22. DUE DILIGENCE CERTIFICATE

It is confirmed that:

- i. The draft Offer Document forwarded to SEBI is in accordance with the SEBI (Mutual Funds) Regulations 1996, and the guidelines, and directives issued by SEBI from time to time.
- ii. All legal requirements connected with the launching of the Schemes as also the guidelines, instructions, etc., issued by the Government and any other competent authority in this behalf, have been duly complied with.
- iii. The disclosures made in the Offer Document are true, fair and adequate to enable the investors to make a well-informed decision regarding investment in the proposed Schemes.
- iv. The intermediaries named in the Offer Document are registered with SEBI and till date such registration is valid.

In respect of the aforesaid schemes, the due diligence certificate as stated above given by the then Managing Director was submitted to SEBI on 18.9.2001.

Notwithstanding anything contained in the Offer Document the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the Guidelines thereunder shall be applicable.

For and on behalf of the Board of Directors of
BOB Asset Management Company Ltd. -
Investment Manager for
BOB Mutual Fund

Place: Mumbai
Date: 16-07-2003

Sd/-
Name: N. L. Khurana
Designation: Managing Director

COLLECTION CENTRES FOR INITIAL OFFER

BANK OF BARODA

AHMEDABAD Ashram Road, Maninagar, **BANGALORE** Malleshwaram, John Nagar, **BARODA** Alkapuri, CBB-Baroda, **BHUBANESHWAR** Bhubaneswar (Main), **CHANDIGARH** - Sector 22 B, Sector 17B, **CHENNAI** - Ambattur, Mount Road, K.K. Nagar, M.R.C. Nagar, St. Thomas Mount, **COCHIN** Ernakulam (Main), **COIMBATORE** Coimbatore (Main), **DELHI** - Kirti Nagar, Vasant Vihar, K.G. Marg, Mayur Vihar, Phase III, NRI Branch, Shakarpur, Shakti Nagar, Janakpuri, Dist. Centre, Parliament Street, Ashok Vihar, Punjabi Bagh, Vishakha Enclave, Paharganj, **GOA** - Panaji, **HARYANA** Sonapat, **HYDERABAD** Khairatabad, **INDORE** Sitlamata, Siyagunj, **JAIPUR** Jaipur (Main), **KANPUR** Kanpur (Main), **KOLKATA** India Exchange, **LUCKNOW** Aligunj, Chowk Branch, Hazaratgunj, **LUDHIANA** Clock Tower, **MANGALORE** Hampankatta, **MUMBAI** - Nariman Point, Churchgate, Colaba, Cuffe Parade, MMO, SIR P M Road, Opera House, Andheri (W), Chakala, Kandivali, Borivli (W), Nepeansea Road, Tardeo, BKC, Santacruz (W), Vile Parle (W), Thane (W), Ghatkopar (E), Chandavarkar (Matunga), Shivaji Park, Chembur, Dombivli (East), **NAGPUR** Dharampeth, **PATNA** Patna (Main) **PUNE** Laxmi Road, **SURAT** Parsi Sheri, Bhagatalav, **VISHAKHAPATNAM** Vishakhapatnam (Main).

HDFC BANK

AHMEDABAD - Navrangpura, **Bangalore** - Kasturba Road, **BARODA** - R C Dutt Road, **CHANDIGARH** - Sector 35 B, **CHENNAI** - Anna Salai, **COCHIN** - Ernakulam, **COIMBATORE** - Avانشi Road, **DELHI** - Kasturba Gandhi Marg, **GOA** - Margao, **HYDERABAD** - Lakdikapul, **JAIPUR** - Ashok Marg, **KOLKATA** - Sarat Bose Road, **LUCKNOW** - Hazaratganj, **MUMBAI** - Fort, Mumbai, **PUNE** - Law College Road, **SURAT** - Athwa Lines.

KARVY CONSULTANTS LIMITED

Ahmedabad - 201-203, Shail Building, Opp. Madhusudan House, Near Navrangpura, Te. Exchange, Off C G Rd, Ahmedabad - 380 006. Tel. No. : 079-6402967 (D) 079-6420422 /6400527/8, **Bangalore** T K N Complex, No.51/2, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore - 560 004. Tel. No. :080-6525024 (D) / 6621184/92, **Baroda** Sharat Apartment, Ground Floor, Opp. Hotel Rama Inn, Near Hotel Surya Sayajigunj, Baroda - 390 005. Tel. No. : 0265-2361514/2225168-69 **Bhubhaneswar** Janpath Towers, II Flr. Room No.11 & 1, Ashok Nagar Unit li, Bhubhaneswar - 751 009 Tel. No. : 0674-2539287 / 2539387, **Cochin/Kochi** - G 39, Panampally Nagar, Cochin Pin - 682 036 Tel. No. :0484-2316406 / 2310884 / 2322152, **Coimbatore** Snv Chambers, 482/483, Street, Opp: Power House, Cross Cut Road, Coimbatore - 641 012.Tel. No. 0422 - 2237501/ 2 / 3 / 4 / 5 / 6, **Hyderabad** 21, Road No.4 Street No.1, Banjara Hills, Hyderabad - 500034 Tel. No. : 040-23312454 / 23320751 / 2752, **Jaipur** 108-110, First Floor, Anukampa Mansion li, Opp. Raymond Showroom, Mi Road, Jaipur - 302 001. Tel. No. : 0141-2363321 / 2375039, **Kanpur** 15/46 Civil Lines, Opp: Muir Mill Kanpur - 208001. Tel. No. : 0512 - 2558317, **Kolkata** - 2nd Floor, 19 R.n.mukherjee Road, Opp. Icici Bank, Rasoi Court (Nearest Landmark), Kolkata 700 001. Tel: (033) 22437863-68, **Lucknow** 94, Mahatma Gandhi Marg, (Opp. Governor House), Hazratganj, Lucknow Tel. No. : 0522-2236828(d), 2236819, **Mangalore** Mahendra Arcade, Kadiyal Bail, Tel. No. : 0824-492302/496352, **Mumbai** 16-22, Bake House, Ground Flr, Maharashtra Chamber Of Commerce Lane, Opp. Msc Bank, Fort, Mumbai - 400 023. Tel. No. : 56341967(d), 56381746 To 50 (B), **New Delhi** 105-108, Arunachal Building 19, Barakhamba Road, Connuaght Place, New Delhi - 110 001. Tel. No. : 011-23737194 (D) / 23730824/842 (B), **Pune** 1202/10, Vishwas Bunglow, Off Ghole Road, Shivajinagar, Pune - 411 004, Tel. No. : 020-5530204-05, 5532955(d), 5533291 **Surat** M/7, Empire State Building ,Ring Road, Near Udhana Darwaja, Surat - 395 002 Tel.No.: 0261-2357356 / 2369634, **Visakhapatnam** D.no.47-14-4, Ist Floor, Eswar Paradise, Dwaraka Nagar Main Road, Visakhapatnam - 530 016 Tel. No. : 0891-2752915 To 18 / 2752872 / 2595338.