

Key Information Memorandum

IDBI Liquid Fund

(An open-ended liquid scheme)

Offer of Units of Rs. 1000 each for cash at NAV based prices on an ongoing basis

Scheme reopened for continuous offer on 12th July 2010

Name of Mutual Fund	IDBI Mutual Fund
Name of Sponsors	IDBI Bank Limited
Name of Trustee Company	IDBI MF Trustee Company Limited Registered Office: IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400005 Correspondence Office: IDBI Asset Management Ltd., Gr. Flr, Lancor Westminster Bldg., Old No. 108, New No. 70, Dr. Radhakrishnan Salai, Mylapore , Chennai – 600 004.
Name of Asset Management Company	IDBI Asset Management Limited Registered Office: IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400005. Corporate office: IDBI Building, 2 nd Floor, Plot no. 39-41, Sector : 11, CBD Belapur, Navi Mumbai – 400 614.
Registrar & Transfer Agents	Computer Age Management Services Private Limited (CAMS) Registered Office: New No.10, Old NO.178, M.G.R.Salai, Nungambakkam, Chennai- 600 034

Website: www.idbimutual.co.in

SMS 'IDBIMF' to 09220092200. Tollfree : 1800-22-4324

This Key Information Memorandum (KIM) sets forth the information, which a prospective investor ought to know before investing. **For further details of the scheme/Mutual Fund, due diligence certificate by the AMC, Key Personnel, investors' rights & services, risk factors, penalties & pending litigations etc. investors should, before investment, refer to the Scheme Information Document and Statement of Additional Information available free of cost at any of the Investor Service Centres or distributors or from the website www.idbimutual.co.in**

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

Investment Objective	The investment objective of the Scheme will be to provide investors with high level of liquidity along with regular income for their investment. The Scheme will endeavour to achieve this objective through an allocation of the investment corpus in a low risk portfolio of money market and debt instruments.		
Asset Allocation Pattern	Instrument	Normal allocation (% of total assets)	
		Minimum	Maximum
	Money market instruments with maturity/residual maturity up to 91 days	50%	100%
Debt instruments (including floating rate debt instruments and securitized debt)* with maturity/residual maturity/ interest rate resets up to 91 days	0%	50%	
<p>*Investment in Securitized Debt not to exceed 50% of the net assets of the Scheme.</p> <p>Pursuant to SEBI circular No SEBI/IMD/CIR No. 13/150975/09 dated January 19, 2009, the Scheme shall make investments only in debt and money market instruments with maturity of up to 91 days only.</p> <p>Explanation:</p> <ol style="list-style-type: none"> In case of securities where the principal is to be repaid in a single payout, the maturity of the securities shall mean residual maturity. In case the principal is to be repaid in more than one payout then the maturity of the securities shall be calculated on the basis of weighted average maturity of the security. In case of securities with put and call options (daily or otherwise) the residual maturity of the securities shall not be greater than 91 days. In case the maturity of the security falls on a Non Business Day, then settlement of securities will take place on the next Business Day. <p>Investment in Derivatives will be up to 50% of the net assets of the Scheme. Investment in derivatives shall be for hedging, portfolio balancing and such other purposes as maybe permitted from time to time. The gross investment in securities under the scheme, which includes Money market instruments, debt instruments including floating rate debt instruments and securitized debt, and gross exposure to derivatives will not exceed 100% of the net assets of the scheme. The Scheme does not propose to invest in foreign securities. Securities lending in the scheme will be in accordance with the guidelines on securities lending and borrowing scheme issued by SEBI from time to time. The scheme shall not deploy more than 20% of its net asset in securities lending and not more than 5% in securities lending to any single counterparty.</p> <p>It is the intent of the Scheme to maintain the average maturity of the portfolio within a range of 30 days to 91 days depending on the fund manager's assessment of various parameters including interest rate environment, liquidity and macro-economic factors. However, the maturity profile of the scheme can undergo a change in case the market conditions warrant and at the discretion of the fund manager.</p> <p>Subject to the Regulations, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages</p>			

	<p>stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of the AMC, the intention being at all times to seek to protect the interests of the Unit holders. Such changes in the asset allocation pattern will be for short term and defensive considerations. Though every endeavor will be made to achieve the objectives of the Scheme, the AMC/Sponsors/Trustees do not guarantee that the investment objectives of the Scheme will be achieved.</p>
<p>Risk Profile of the Scheme</p>	<p>Mutual Fund Units involve investment risks including the possible loss of principal. Please read the SID carefully for details on risk factors before investment. Scheme specific Risk Factors are summarized below:</p> <ol style="list-style-type: none"> 1. The Trustees, AMC, Fund, their directors or their employees shall not be liable for any tax consequences that may arise in the event that the scheme is wound up for the reasons and in the manner provided under the Scheme Information Document & Statement of Additional Information. 2. IDBI Liquid Fund will seek to invest in credit instruments, Government Securities, securitized debt, debt derivatives and money market instruments. Trading volumes and settlement periods may inherently restrict the liquidity of the scheme's investments. In the event of an inordinately large number of redemption requests, or of a restructuring of the scheme's investment portfolio, these periods may become significant. In view of the same, the Trustees have the right in their sole discretion to limit redemptions (including suspending redemptions) under certain circumstances. 3. The Mutual Fund is not assuring any dividend nor is it assuring that it will make any dividend distributions. All dividend distributions are subject to the availability of distributable surplus and would depend on the performance of the scheme and will be at the discretion of the AMC. 4. Risks associated with investments in bonds <ol style="list-style-type: none"> i. Credit risk: This risk arises due to any uncertainty in counterparty's ability or willingness to meet its contractual obligations. ii. Interest Rate risk: This risk is associated with movements in interest rate. The values of investments will appreciate/depreciate if the interest rates fall/rise. iii. Liquidity risk: The liquidity of a bond may change depending on market conditions. At the time of selling the security, the security can become illiquid leading to loss in the value of the portfolio. iv. Reinvestment risk: This risk arises from uncertainty in the rate at which cash flows from an investment may be reinvested. The rate at which the coupons will be reinvested will depend upon prevailing market rates at the time the coupons are received. 5. Risks associated with Investing in Derivatives <p>Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.</p> <p>The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments.</p>

There are certain risks inherent in derivatives. These are

- i. **Price Risk:** Despite the risk mitigation provided by various derivative instruments, there remains an inherent price risk which may result in losses exceeding actual underlying.
- ii. **Default Risk:** This is the risk that losses will be incurred due to default by counter party.
- iii. **Basis Risk :** This risk arises when the derivative instrument used to hedge the underlying asset does not match the movement of the underlying being hedged.
- iv. **Limitations on upside:** Derivatives when used as hedging tool can also limit the profits from a genuine investment transaction.
- v. **Liquidity risk** pertains to how saleable a security is in the market.

6. Risks associated with investing in Securitized Debt

Securitized Debt is a financial instrument (bond) whose interest and principal payments are backed by an underlying cash flow from another asset. The risks associated with investing in such instruments are:

Limited Recourse: The instruments represent an undivided beneficial interest in the underlying receivables and do not represent an obligation of either the Issuer or the Seller or the originator, or the parent or any affiliate of the Seller, Issuer and Originator. No financial recourse is available to the buyer of the security against the Investors' Representative.

Delinquency and Credit Risk: Delinquencies and credit losses may cause depletion of the amount available under the Credit Enhancement and thereby the Monthly Investor Payouts to the Holders may get affected if the amount available in the Credit Enhancement facility is not enough to cover the shortfall. On persistent default of an Obligor to repay his obligation, the Servicer may repossess and sell the Vehicle/ Asset. However many factors may affect, delay or prevent the repossession of such Vehicle/Asset or the length of time required to realize the sale proceeds on such sales. In addition, the price at which such Vehicle/Asset may be sold may be lower than the amount due from that Obligor.

Risks due to possible prepayments: Full prepayment of a contract may lead to an event in which investors may be exposed to changes in tenor and yield.

Bankruptcy of the Originator or Seller: If the service provider becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that either the sale from each Originator was not a sale then an Investor could experience losses or delays in the payments due under the instrument.

Liquidity risk: There is no assurance that a deep secondary market will develop for the instrument. This could limit the ability of the investor to resell them.

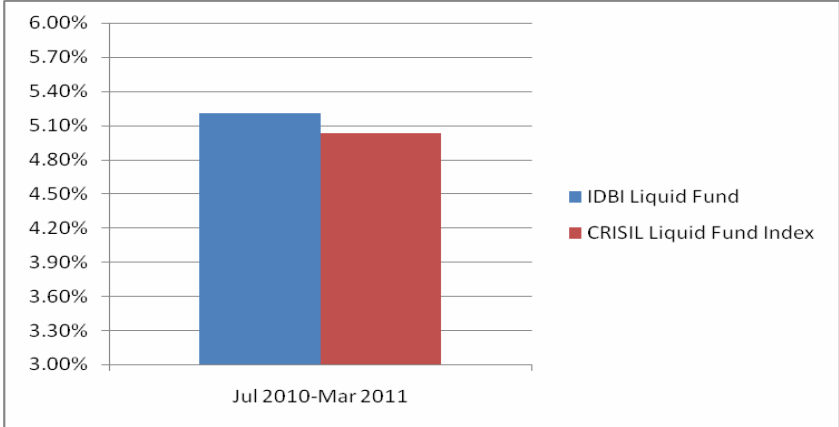
7. Risks associated with Short Selling and Securities Lending

Short Selling: When the Fund engages in short selling, it will borrow the security from a third party with the understanding that the security will be returned at a later date as and when required by the lender. However, there is a risk that the stock price may go up contrary to expectations which will result in losses to the Scheme. The losses will be realized to the Scheme if the Scheme may be forced to buy the shares in the market at the prevailing higher market price (than the price at which sold initially) to return the security to the lender if so required by the lender

Securities lending: There are risks inherent to securities lending, including the risk of failure or bankruptcy of the counter party, leading to non-compliance with the terms of

	<p>the agreement by the counterparty. Such failure can result in the possible loss of rights to the collateral, the inability of the counterparty to return the securities deposited by the lender and the possible loss of any corporate benefits accruing thereon.</p>												
<p>Plan and Options</p>	<ul style="list-style-type: none"> • Growth Option • Dividend Option <p>The Dividend Option offer the following sub-options (frequency of dividend declaration)</p> <table border="1" data-bbox="485 533 1469 707"> <thead> <tr> <th>Sub-Option</th> <th>Record date/day</th> <th>Mode of dividend</th> </tr> </thead> <tbody> <tr> <td>Daily</td> <td>Daily</td> <td>Compulsory reinvestment. No payout/sweep</td> </tr> <tr> <td>Weekly</td> <td>Sunday</td> <td>Payout/Reinvestment/Dividend Sweep</td> </tr> <tr> <td>Monthly</td> <td>25th of every month</td> <td>Payout/Reinvestment/Dividend Sweep</td> </tr> </tbody> </table> <p>The Growth Option and Dividend Option will be maintained under a common portfolio. The Growth option will not declare any dividends. Dividends declared in the Daily dividend sub-option will be compulsorily reinvested irrespective of amount of dividend declared.</p> <p>Investors can opt for any one of following modes of dividend - Payout/Reinvestment/Dividend Sweep - under both Weekly and Monthly Dividend sub-options.</p> <p>The Dividend Sweep mode under the Weekly and Monthly Dividend sub-options will allow unit holders in the dividend options (except daily dividend sub-option) of the Scheme to transfer their dividend to any open ended equity scheme (as and when made available for subscription) of IDBI Mutual Fund. The amount to the extent of the dividend (net of distribution tax) will be automatically swept out from the source scheme on the ex-dividend date into the transferee scheme (sweep-in) at the NAV based prices of that scheme and equivalent units will be allotted. The details, including mode of holding, of Unit holders' in the transferee scheme will be as per the existing folio in the source scheme. Units in the transferee scheme will be allotted in the same folio.</p> <p>If the amount of dividend declared under the Weekly dividend sub-option or the Monthly dividend sub-option is less than Rs. 1000, the dividend amount shall be compulsorily reinvested in the Scheme. Dividend Payout/Dividend Sweep will be available only when the amount of dividend declared is Rs. 1000 or more.</p> <p>Please note that IDBI Liquid Fund does not assure any dividend under any sub-options in the Dividend option. Declaration of dividend is subject to the availability of distributable surplus, if any, in the scheme and at the discretion of the AMC.</p> <p>In cases where investors do not opt for a particular Option at the time of investment, the default Option will be the Growth Option. In such cases where the investors have opted for the Dividend option but not specified the sub-option (frequency), daily dividend sub-option would be treated as the default option. In cases, where investors have not specified the mode of dividend i.e. payout, reinvestment or dividend sweep, the default mode will be reinvestment.</p> <p>If investors apply for subscription of units under both Options, the minimum subscription limits for new purchases/additional purchases/SIP will apply to each Option.</p>	Sub-Option	Record date/day	Mode of dividend	Daily	Daily	Compulsory reinvestment. No payout/sweep	Weekly	Sunday	Payout/Reinvestment/Dividend Sweep	Monthly	25 th of every month	Payout/Reinvestment/Dividend Sweep
Sub-Option	Record date/day	Mode of dividend											
Daily	Daily	Compulsory reinvestment. No payout/sweep											
Weekly	Sunday	Payout/Reinvestment/Dividend Sweep											
Monthly	25 th of every month	Payout/Reinvestment/Dividend Sweep											
<p>Applicable NAV (after the scheme opens for repurchase and sale)</p>	<p>Subscription</p> <p>The following cut-off Timings shall be applicable in respect of purchase of units in the Scheme and the following NAVs shall be applied for such purchase:</p> <ol style="list-style-type: none"> 1. where the application is received up to 2.00 p.m. on a day and funds are available for utilization before the cut-off time – the closing NAV of the day immediately preceding the day of receipt of application; 												

	<p>2. where the application is received after 2.00 p.m. on a day and funds are available for utilization on the same day – the closing NAV of the day immediately preceding the next business day ; and</p> <p>3. irrespective of the time of receipt of application, where the funds are not available for utilization before the cut-off time – the closing NAV of the day immediately preceding the day on which the funds are available for utilization.</p> <p>Redemption</p> <p>The following cut-off timings shall be applicable with respect to repurchase of units in the Scheme and the following NAVs shall be applied for such repurchase:</p> <p>1. Where the application is received up to 3.00 pm – the closing NAV of day immediately preceding the next business day; and</p> <p>2. Where the application is received after 3.00 pm – the closing NAV of the next business day.</p> <p>Switches:</p> <p>Switch-out: Valid applications for ‘switch-out’ shall be treated as applications for Redemption and the provisions of the Cut-off time and the Applicable NAV mentioned in the SID as applicable to Redemption shall be applied to the ‘switch-out’ applications.</p> <p>In case of ‘switch’ transactions from one scheme to another, the allotment shall be in line with redemption payouts.</p>		
<p>Minimum Application Amount/ Number of Units</p>	<p>Purchase</p> <p>For new purchases Rs. 5000 and in multiples of Rs. 100 thereafter</p> <p>For Systematic Investment Plan</p> <ul style="list-style-type: none"> • Rs. 1000 for a minimum period of six months • Rs. 500 for atleast 12 months • Rs.1500 per quarter for atleast 4 quarters. <p>Multiples of Re. 1 for all SIP in both Options irrespective of frequency of SIP</p>	<p>Additional Purchase</p> <p>Rs. 1000 and in multiples of Re. 1</p>	<p>Repurchase</p> <p>Rs. 1000 or 100 units whichever is lower</p>
<p>Dispatch of Repurchase (Redemption) Request</p>	<p>Within 10 business days from the date of the relevant interval period for which a valid redemption request is received at the authorized center of IDBI Mutual Fund.</p>		
<p>Benchmark Index</p>	<p>CRISIL Liquid Fund Index</p>		
<p>Dividend Policy</p>	<p>Dividend declaration under the Dividend option in the Scheme is subject to the availability of distributable surplus and at the discretion of the AMC and no returns is assured under the scheme.</p>		
<p>Name of the Fund Manager</p>	<p>Mr. Gautam Kaul</p>		
<p>Name of the Trustee Company</p>	<p>IDBI MF Trustee Company Limited</p>		

Performance of the scheme	Absolute return (as on 15th June 2011)	Scheme Returns (%)	Benchmark Returns (%)						
	Return since Inception (Growth option)	7.06%	6.70%						
	(Inception date – 9 th July 2010. Since the Scheme has been in existence for less than a year absolute returns since inception are provided) Absolute return for the previous financial year								
	 <table border="1"> <caption>Absolute return for the previous financial year</caption> <thead> <tr> <th>Entity</th> <th>Return (%)</th> </tr> </thead> <tbody> <tr> <td>IDBI Liquid Fund</td> <td>5.10%</td> </tr> <tr> <td>CRISIL Liquid Fund Index</td> <td>4.80%</td> </tr> </tbody> </table>			Entity	Return (%)	IDBI Liquid Fund	5.10%	CRISIL Liquid Fund Index	4.80%
Entity	Return (%)								
IDBI Liquid Fund	5.10%								
CRISIL Liquid Fund Index	4.80%								
Expenses of the Scheme	On an ongoing basis								
(i) Load Structure	Entry Load – Not applicable								
	Exit Load: Nil								
	SEBI vide its circular no. SEBI/IMD/CIR No. 4/ 168230/09 dated June 30, 2009 has decided that there shall be no entry Load for all Mutual Fund Schemes. The upfront commission, if any, to the distributor on the investment made by the investor will be paid by the investor directly to the distributor, based on his assessment of various factors including the service rendered by the distributor.								
Recurring expenses	First Rs. 100 Crores of the average weekly net assets : 2.25% Next Rs. 300 Crores of the average weekly net assets : 2.00% Next Rs. 300 Crores of the average weekly net assets : 1.75% Balance :1.50%	Actual expenses for the previous financial year ended 31 st March 2011: 0.20%							
Waiver of Load for Direct Applications	Not applicable								
Tax treatment for the Investors (Unitholders)	IDBI Liquid Fund	Resident Investors	Mutual Fund						
	Tax on Dividend - – Dividend Distribution Tax	Nil	<ul style="list-style-type: none"> 25% (plus applicable surcharge and cess) – For Individual Investors & HUF 30% (plus applicable surcharge and cess) – For Corporate Investors 						

	Capital Gains <ul style="list-style-type: none"> • Long Term • Short Term 	10%*/ 20%** Rates applicable to Unit holders as per their income slabs	Nil Nil
*/**For further details on taxation please refer to the Section on Taxation in the SAI			
Daily Net Asset Value (NAV) Publication	The NAV, Sale Price and Repurchase Price will be declared on all calendar days and will be published in 2 newspapers on all business days. NAV can also be viewed on www.idbimutual.co.in and www.amfiindia.com .		
For Investor Grievances, please contact	Registrar Computer Age Management Services Private Limited (CAMS) SEBI Registration Number: INR000002813 New No. 10, Old No. 178, MGR Salai, Nungambakkam, Chennai – 600034 Tel: 044-30407000 Fax: 044-24581750	IDBI Mutual Fund Mr. S.V. Durga Prasad Asst. Vice President & Investor Relations Officer IDBI Asset Management Ltd., Lancor Westminster, Old No. 108, New No. 70 Dr. Radhakrishnan Salai, Chennai 600 004 Phone: 044 – 43456126; Fax: 044-43456110 Email: contactus@idbimutual.co.in	
Unitholders' Information	<ol style="list-style-type: none"> 1. Account Statement: The Mutual Fund shall endeavour to dispatch the Account Statement within 5 working Days from the date of the receipt of a valid application from the Unit holder. 2. Scheme Portfolio and Unaudited half-yearly results: The Mutual Fund shall publish a complete statement of the scheme portfolio and the unaudited financial results, within one month from the close of each half year (i.e. 31st March and 30th September), by way of an advertisement at least, in one National English daily and one regional newspaper in the language of the region where the head office of the Mutual Fund is located as per the new format prescribed by SEBI vide their Circular No. MFD/CIR/1/200/2001 dated April 20, 2001 3. Annual Report: The Scheme wise Annual Report or an abridged summary thereof shall be mailed to all Unitholders within four months from the date of closure of the relevant accounts year i.e. 31st March each year. The Abridged Scheme wise Annual Report may be mailed to the investors' e-mail address if so mandated. <p>The Portfolio Statement, unaudited financial results, Scheme wise annual report will also be displayed on the website of the Mutual Fund and AMFI.</p>		

Date:24th June 2011

This page has been left blank intentionally



IDBI ASSET MANAGEMENT LIMITED

Corporate Office

IDBI Building, 2nd Floor, Plot No. 39-41, Sector 11,
CBD Belapur, Navi Mumbai 400 614.

Registered Office

IDBI Tower, WTC Complex,
Cuffe Parade, Mumbai – 400 005.

Website: www.idbimutual.co.in