



Hyderabad BRANCH OF SIRC OF ICAI

&

HYDERABAD BRANCH OF SICASA

NEWSLETTER- January 2026



SAARATHI

~THE VOICE THAT LEADS~



Snapshots from Republic day Celebration on 26th January 2026, at ICAI Bhavan where MCM and SICASA Committee members along with Branch staff and students have joined for Flag Hosting.

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OFFICE BEARERS OF SICASA HYDERABAD 2025-26



CA. Mukkara Sai Charan Reddy
SICASA CHAIRMAN



CA. Gonugunta Murali
SICASA CO-CHAIRMAN

STUDENT COMMITTEE MEMBERS 2025-26



SUMANTH VEMURI
VICE-CHAIRMAN



V.V MADHUSREE
SECRETARY



B. SATYA SAMPAT KUMAR
TREASURER



TALHA YASAR
JOINT SECRETARY EVENTS



T. LOKESHWARAO
JOINT SECRETARY ACADEMICS



PIYUSH KABRA
JOINT TREASURER



K. AASHA SAILU SREE
CREATIVE HEAD



E. NITISH
SPORTS CO-ORDINATOR



K. NAGA SRITHA
CULTURAL CURATOR



C. GOUTHAM SIDDHARTH
SSF CO-ORDINATOR

PHOTO GALLERY



Snapshot from the reels day for the promotion of Nirvana-Beyond the ordinary held on 23rd & 24th January 2026, at ICAI Bhavan, where volutneers and SICASA Committee has participated.



Snapshot from the Auditions of Nirvana-Beyond the Ordinary held on 25th of January, 2026 where 50+ Students have participated.



Snapshot from the celebration of Republic Day held on 26th January 2026, at ICAI Bhavan, where SICASA committee and MCM&CCM have joined.

KNOWLEDGE CORNER

PUBLIC SPEAKING – THE LEADERSHIP EDGE IN EVERY PROFESSION

Some people have a way of speaking that instantly holds your attention.

Their words carry meaning, their voice carries confidence, and their presence leaves an impression.

That skill “**Public Speaking**” - is more than just a stage talent.

It’s a leadership quality that shapes how people see you, listen to you, and follow you.

No matter your profession -whether you’re a student, teacher, manager, doctor, or finance professional - your ability to speak with confidence can define your influence.

Because in every field, your voice is not just how you communicate.

It’s how you lead.

COMMUNICATION: THE FIRST STEP TOWARD LEADERSHIP

Leadership often begins with a voice — not a position.

The way you express ideas, share your thoughts, and connect with others can inspire more than authority ever could.

Public speaking isn’t just about microphones or large audiences.

It’s about the courage to speak with clarity, whether you’re addressing ten people in a room or thousands in a hall.

Many people have powerful ideas, but very few can bring those ideas to life through words. That’s what makes great speakers stand out - they don’t just talk; they inspire action.

Think of any leader you admire - their words moved people before their position did.

That’s the quiet power of communication.

WHY EVERY PROFESSIONAL NEEDS THIS SKILL

In today’s world, being skilled at your work is important - but being able to communicate that skill is what sets you apart.

- A finance expert who can explain complex numbers simply,
- A teacher who makes lessons come alive,

- A student who speaks with confidence during presentations,
- A manager who motivates a team with their words

They all lead in their own way.

Public speaking helps you:

1. Organize your thoughts clearly
2. Express ideas confidently
3. Build genuine connections
4. Inspire and influence others
5. Present yourself as a trustworthy leader

It's not just about talking; it's about connecting.

Because people may forget what you said, but they'll never forget how you made them feel.

💡 PUBLIC SPEAKING HAPPENS EVERYWHERE

The beauty of public speaking is that it isn't limited to a stage.

Everyday situations are filled with moments where your voice becomes your power.

When you share your opinion in a meeting,

When you explain a project to your colleagues,

When you volunteer to host an event or deliver a speech,

That's public speaking in action.

And each of those moments builds your confidence little by little.

No matter your profession, the ability to communicate your ideas makes you memorable.

A chartered accountant who presents reports clearly gains trust.

An engineer who explains technology simply drives innovation.

A leader who listens and speaks with empathy earns respect.

Public speaking gives you the power to make people understand and believe in what you're saying.

⚡ YOUR VOICE DEFINES YOUR LEADERSHIP

Every leader has a voice that carries something special — conviction.

When you speak with confidence, it shows that you believe in yourself and your message.

That confidence doesn't come overnight.

It grows with every attempt, every speech, and every word you dare to speak out loud.

Public speaking teaches you much more than communication.

It builds:

- Composure under pressure
- Empathy toward your audience
- Clarity in your thoughts
- Connection through authenticity

These are not just speaking traits, they are leadership traits.

- ✓ When you speak, people listen.
- ✓ When you inspire, people follow.
- ✓ That's what turns a speaker into a leader.

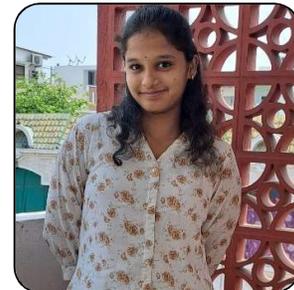
FINAL THOUGHTS

Public speaking is not reserved for a few , it's a skill everyone can and should develop.
It's the bridge between your thoughts and the world's understanding of them.
So, no matter your profession, start speaking.
Speak in your team meetings, in your classrooms, at events, or even in casual discussions.
Because every time you speak, you're not just expressing your ideas - you're shaping your identity as a leader.

The stage doesn't make you a speaker.
Your courage does.
And when courage meets clarity, your words begin to create change.

**SO GO AHEAD - TAKE THAT MIC, THAT MOMENT, OR THAT OPPORTUNITY.
BECAUSE IN EVERY PROFESSION, YOUR VOICE IS YOUR LEADERSHIP EDGE. ✍️**

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Understanding the AIF Ecosystem: Structure, Operations and Taxation

Executive Summary

Alternative Investment Funds (AIFs) have become a significant part of India's private investment ecosystem, enabling sophisticated investors to participate in start-ups, private equity, infrastructure and market-linked strategies. These funds are governed under the SEBI Alternative Investment Fund Regulations, 2012, which provide a clear framework for their establishment, operations and investor participation.

Since then, the AIF sector has grown rapidly. SEBI data indicates that cumulative commitments have crossed ¹₹15 lakh crore, with more than 1,700 registered funds across the country. Category II funds hold the largest share driven by private equity and structured financing, Category I supports emerging and priority sectors, and Category III focuses on market-linked strategies.

Geographically, AIF registrations are concentrated in major financial centres such as Maharashtra, Karnataka and Delhi, with Gujarat and IFSC regions gaining traction as emerging hubs. This indicates that AIF activities are aligning naturally with existing financial markets and associated professional services clusters.

From an economic standpoint, AIFs play a meaningful role by directing long-term private capital into sectors such as technology, financial services, healthcare, real estate and infrastructure. These sectors help the economy grow and give investors more variety than traditional investments.

AIFs can be set up as trusts, companies, LLPs or body corporates. In practice, most AIFs follow the trust model, with the sponsor creating the fund, a trustee overseeing compliance and a manager handling investments and day-to-day operations. Investors commit capital, which is drawn down over time and deployed into investee entities based on the fund's strategy. Returns are distributed after exits or maturity of investments.

This article provides a structured overview of the AIF landscape, covering the regulatory framework, fund structures, category distinctions, geographic presence, operational model, market growth and overall relevance of AIFs within India's financial system and simplifies the taxation provisions applicable to different fund categories.

¹ Source : Securities Exchange Board of India Portal

Introduction

Alternative Investment Funds (AIF's) are private investment vehicles registered with and regulated by SEBI. Private investment vehicles, as is understood, are investment vehicles that pool investments from investors on a private basis and make investments in investee

entities based on the investment objectives disclosed to the investors. The returns from such investments, net of the expenses incurred by the vehicle, is distributed back to the investors

While AIFs pool money privately and are meant for sophisticated or high-value investors, mutual funds and collective investment schemes are broad-based products intended for the general public. These products cater even to new investors, have low minimum investment amounts, and typically involve a large number of participants. Mutual funds also follow strict, standardised investment rules such as defined equity-debt allocation limits, mandatory diversification, and liquidity norms, whereas AIFs offer greater flexibility in strategy and structure but require higher investment thresholds. The targeted investors are different in AIF in comparison to Mutual funds and Collective Investment scheme.

Regulatory Landscape and Background

Before the introduction of the SEBI (Alternative Investment Funds) Regulations, 2012, privately pooled investment vehicles in India did not have a dedicated regulatory framework. Venture capital funds which were known for financing startups and emerging companies were governed under the SEBI (Venture Capital Funds) Regulations, 1996, while several other privately managed pools operated through trust structures or company/LLP formats with no uniform rules. As the private capital market expanded— especially with the growth of private equity, venture capital, and hedge-style strategies the absence of a comprehensive framework was felt. To address the issues involving around this complex market and facilitating the emerging market SEBI introduced the SEBI (Alternative Investment Funds) Regulations, 2012, creating a structured regulatory framework for all privately pooled investment vehicles. Venture Capital Funds registered under the erstwhile regulatory framework were permitted to continue and operate their existing schemes until closure; however, no new schemes could be launched under the 1996 Regulations. All such venture capital funds were required to align with the SEBI (Alternative Investment Funds) Regulations, 2012 and seek registration under the new framework as Category I Alternative Investment Funds.

Categories of Alternative Investment Funds

SEBI has classified AIF's into three categories based on the nature of investments they undertake, the economic and policy objectives they serve, and the level of risk and complexity involved in their strategies.

1. Category I

These funds invest in areas that are considered socially or economically important, such as start-ups, small and medium enterprises, infrastructure projects and social ventures including education and healthcare. They work by providing early-stage equity or debt to growth-potential entities, with exits via IPOs or buybacks. They include venture capital funds, SME funds, social venture funds, infrastructure funds, angel funds, and special situation funds each addressing specific segments within the broader alternative investment landscape.

2. Category II

This is a broad category that covers funds which do not fall under Category I or III. Category II AIF's constitute the largest segment of the alternative investment framework in terms of capital deployed. These funds do not focus on early-stage or socially driven investments covered under Category I, nor do they engage in complex or leveraged trading strategies characteristic of Category

III. Instead, Category II AIF's typically invest in established and well-performing companies that require growth capital, structured financing or ownership restructuring. They play a significant role in mergers and acquisitions, management buyouts and other strategic transactions, providing capital to businesses with proven operating models. Operating with medium to long-term investment horizons.

3. Category III

Category III AIF's include funds that employ diverse or complex trading strategies and may use leverage. These funds typically invest in listed and market-traded securities and aim to generate returns through active portfolio management rather than long-term ownership of businesses. Category III AIF's often follow hedge fund-style strategies such as long-short equity, arbitrage and other market-linked approaches, and may also participate in Private Investment in Public Equity (PIPE) transactions by investing in listed companies through preferential allotments or similar structures. Due to the relatively liquid nature of their investments, Category III AIF's may be structured as open-ended or close-ended funds, allowing greater flexibility for investor entry and exit. Given their higher risk profile and use of sophisticated strategies, these funds are intended for investors with a higher risk appetite and a strong understanding of capital markets.

²(Category-wise Distribution of AIF Investments)

(₹ in Crores)

| Category of AIF | Registered Entities | Commitments Raised | Funds Raised | Investments Made |
|--------------------|---------------------|--------------------|-----------------|------------------|
| Category I | 365 | 92,385 | 54,224 | 45,034 |
| Category II | 948 | 11,20,589 | 4,04,212 | 3,69,570 |
| Category III | 409 | 2,92,398 | 1,77,982 | 1,97,335 |
| Grand Total | 1722 | 15,05,372 | 6,36,418 | 6,11,939 |

As evident from the table above Category II AIF's attract the largest share of investments, mainly because they focus on private equity and debt investments in unlisted companies. Category I AIFs, which include venture capital and infrastructure funds, account for a smaller but steadily growing share, reflecting increasing support for start-ups and priority sectors of the economy. Category III AIFs, though fewer in number, are primarily oriented towards market-linked and trading strategies. This distribution highlights how different AIF categories cater to varying investor preferences based on risk appetite, investment

horizon and return expectations.

The sector-wise distribution of investments by Alternative Investment Funds provides useful insight into the areas attracting private capital in India. As reflected in the table below, AIF investments are diversified across real estate, financial services, technology, banking, healthcare and other sectors. This distribution highlights the role of AIF's in supporting both traditional industries and emerging segments of the economy.

² Source : Compiled from SEBI Portal

³(Sector-wise Distribution of AIF Investments)

(₹ in Crores)

| S. No | Sector | Sum of Amount Invested |
|--------------|----------------------------------|------------------------|
| 1 | Real Estate | 73,356 |
| 2 | Financial Services | 51,388 |
| 3 | Information Technology | 35,997 |
| 4 | NBFC's | 30,748 |
| 5 | Banks | 25,287 |
| 6 | Pharmaceuticals | 22,581 |
| 7 | Insurance | 15,062 |
| 8 | Health Care Providers & Services | 14,228 |
| 9 | Automobiles | 12,913 |
| 10 | Others | 3,30,379 |
| Total | | 6,11,939 |

Regulatory Structure and Constitution of AIFs

An Alternative Investment Fund may be constituted in India as a trust, company, limited liability partnership (LLP), or body corporate, as permitted under the SEBI (Alternative Investment Funds) Regulations, 2012. In most cases, AIFs are set up as trust structures, where the sponsor establishes the fund and appoints a trustee to oversee its compliance and governance. A manager is appointed to make investment decisions and carry out the day-to-day management of the fund in accordance with the investment strategy disclosed to investors. A trustee or manager can be a natural person but due to the scale of investments and decision making involved, generally a team consisting of well-qualified persons is formed and a company is setup with those individuals and then such entity acts as a manager or trustee of the fund.

How Alternative Investment Fund's Operate

Once registered with SEBI, an AIF raises funds through private placement by issuing a Private Placement Memorandum that sets out the investment objective, strategy, tenure, fees and key risks. Eligible investors commit a specified amount to the fund, and upon achieving sufficient commitments, the AIF declares its first close. Rather than collecting the entire commitment upfront, the fund draws down capital in stages, calling funds from investors as and when investment opportunities are identified. While the total commitment

must meet the prescribed minimum investment threshold, actual capital contributions are transferred over time based on the fund’s deployment requirements.

Committed capital is the total amount an investor agrees to invest in an AIF, which becomes payable only when the fund makes a capital call. Contributed (drawn) capital is the portion of that commitment actually paid to the fund and used for making investments, with exit proceeds distributed only to investors who have contributed such capital.

1. How the AIF Manager Earns

The manager of an AIF earns income through a combination of management fees and performance- based incentives. The management fee is charged periodically, usually as a percentage of the committed or drawn capital, and covers the costs of running the fund, including research, deal sourcing, due diligence, compliance and administration. In addition, the manager may earn a carried interest, which represents a share in the profits generated by the fund. This performance incentive becomes payable only after investors receive a minimum agreed return, known as the hurdle rate. In some structures, a catch-up mechanism applies after the hurdle is met, allowing the manager to receive a higher share of

³ Source : Compiled from SEBI Portal profits until the agreed profit-sharing ratio is achieved. This structure ensures that the manager’s rewards are closely linked to the fund’s overall performance.

Illustrative Example

Assume an AIF raises a total of ₹100 crore from investors. The fund agreement provides for a hurdle rate of 8% to the investor and a carried interest of 20% payable to the manager on profits earned above the hurdle. Over the life of the fund, after exiting all investments, the total distributable surplus amounts to ₹150 crore. The table below provides how this unfolds:

| Particulars | Amount (₹ in Crore) | Explanation |
|---|---------------------------|---|
| Return of capital to investors | 100 | Original Capital Invested |
| Hurdle return to investors (8%) | 8 | Minimum agreed return payable before carried interest |
| Total paid to investors before carry | 108 | Priority distribution |
| Balance surplus above hurdle | 42 | Available for carry sharing |
| Carried Interest to Manager (20%) | 8.4 | Manager’s performance-linked incentive |
| Balance distributed to investors | 33.6 | Investor share of excess profits |
| Total Distributable Surplus | 150 | Final amount after exits |

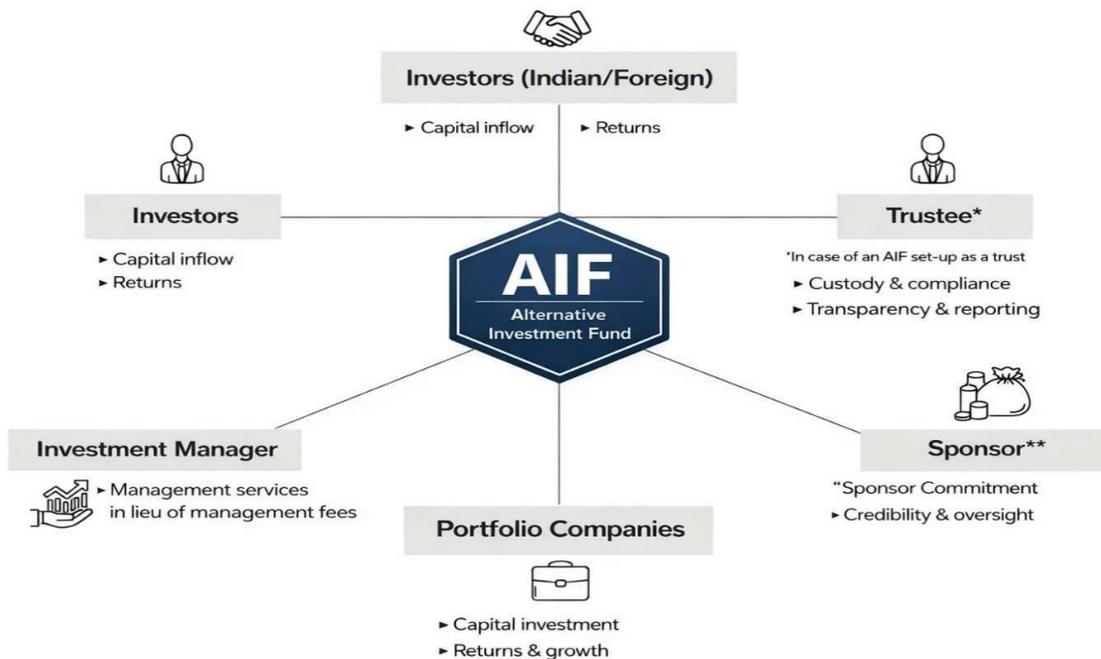
2. How the Investor Earns from an AIF

Investors in an AIF earn returns from the income and gains generated by the fund’s investments. Depending on the investment strategy, these returns may arise from capital appreciation, interest income, dividends or profits realised on exit from investments. Investors commit capital to the fund, which is drawn down over time as investments are made. As investments mature or are exited, the proceeds after deducting expenses, fees and applicable taxes are distributed to investors in proportion to their investment. Given the long-term and often illiquid nature of AIF investments, returns are typically realised over the life of the fund rather than through frequent withdrawals, making AIFs suitable for investors with a longer investment horizon and higher risk tolerance.

In an AIF structure, capital flows are governed by a pre-agreed method of distributing funds, and there is no provision for reimbursement outside this process. Proceeds from the exit of an investment are required to be returned to the investors who contributed the capital and cannot be adjusted against any undrawn commitments. Such undrawn commitments continue to be payable only when a formal capital call is made by the fund.

3. Role of the Trust in an AIF Structure

Where an AIF is established in the form of a trust, the trust acts as the legal vehicle through which investments are held and executed. The trust itself does not take investment decisions or manage the portfolio these responsibilities lie with the investment manager. Investors contribute capital to the trust, which holds the assets on their behalf in accordance with the trust deed and regulatory framework. Once the fund has completed its investment cycle and exited all investments, the trust distributes the proceeds to investors and is subsequently wound up, as its role is limited to facilitating the investment activity of the AIF.



Registration Framework and Eligibility Conditions for AIF’s

To operate as an Alternative Investment Fund in India, an entity must obtain registration

from SEBI under the SEBI (Alternative Investment Funds) Regulations, 2012. An AIF may be established in the legal form of a trust, company, limited liability partnership (LLP), or body corporate, and its constitutional documents must expressly permit it to carry on AIF activities.

SEBI evaluates each application based on the eligibility of the applicant, sponsor, and manager, all of whom must satisfy the Fit & Proper criteria prescribed under the SEBI (Intermediaries) Regulations, 2008. This includes having sound financial integrity, a clean regulatory track record, and no history of fraud or economic offences. The manager must also have an adequately qualified investment team, with at least one member holding the mandatory NISM investment certification and another possessing a professional qualification or relevant experience in finance or capital markets.

Each scheme of an AIF must have a minimum corpus of ₹20 crore (₹5 crore for Social Impact Funds), and the fund may raise money from Indian, foreign, or NRI investors. However, an AIF cannot accept an investment of less than ₹1 crore per investor, except in the case of employees or directors of the fund or manager, for whom the minimum is ₹25 lakh; and for individual investors in a Social Impact Fund investing only in not-for-profit entities, where the minimum is ₹2 lakh.

Further, the sponsor or manager must maintain a continuing interest of at least 2.5% of the corpus or ₹5 crore, whichever is lower, which must be contributed as an actual investment and cannot be met by waiving management fees. This ensures alignment of interest between the fund and its investors.

As of recent SEBI data, over ⁴1,722 AIFs are registered in India, reflecting the growing scale and institutionalisation of the AIF ecosystem. Based on SEBI registration data, the table below summarises

⁴ *Securities and Exchange Board of India Portal (Registered AIF)*

the state-wise distribution of AIF registrations, highlighting the geographic concentration of AIF activity.

(State-wise AIF Registration)

| S. No. | Location | Number of AIF's Registered | Percentage |
|--------|--------------|----------------------------|------------|
| 1 | Maharashtra | 888 | 51.57 |
| 2 | Karnataka | 230 | 13.36 |
| 3 | Delhi | 213 | 12.37 |
| 4 | Gujarat | 74 | 4.3 |
| 5 | Haryana | 71 | 4.12 |
| 6 | Others | 246 | 14.29 |
| | Total | 1722 | 100 |

Investment Conditions and Deployment Rules for AIF's

The SEBI (Alternative Investment Funds) Regulations, 2012 prescribe a detailed set of investment conditions that govern how AIF's deploy capital. These conditions vary across the three categories of AIF's and are designed to ensure prudent risk management, adequate diversification, and alignment with the economic purpose of each category.

Investment Limits per Investee Company

Category I and Category II AIFs cannot invest more than 25% of their investible funds in a single investee company. For Category III AIFs, this limit is lower at 10%, reflecting their more active trading strategies and the need for wider diversification.

Investment in Associates

An AIF cannot invest in its associate or in any company in which its sponsor, manager, or their directors hold more than 15% equity, unless it obtains approval from 75% of its investors by value. This rule safeguards investors from conflicts of interest.

Conditions on Uninvested Funds

Any portion of the investible funds not yet deployed may be invested in liquid instruments such as mutual funds, treasury bills, commercial papers, or certificates of deposit. This ensures liquidity while the fund waits for suitable investment opportunities.

Leverage and Borrowing

Category I and Category II AIF's are generally prohibited from using leverage, except for temporary needs within strict regulatory limits. Category III AIFs, however, may employ leverage through borrowing or derivatives, subject to investor consent and SEBI-prescribed risk controls.

Overseas Investments

AIFs may invest in companies incorporated outside India, subject to RBI and SEBI guidelines and FEMA provisions, with overseas exposure capped at ⁵25% of investible funds at the fund level. In addition, such investments are subject to an industry-wide limit of ⁶USD 1,500 million, allocated to SEBI-registered AIFs on a first-come, first-served basis.

⁵ SEBI Circular No. CIR/IMD/DF/7/2015 dated October 1, 2015.

⁶ SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2021/565 dated May 21, 2021

Tenure, Extensions and Winding Up of AIF's

Tenure of AIFs

Category I and Category II AIFs are required to be close-ended and operate for a fixed tenure, with a minimum period of three years determined at the time of launching the

scheme. These funds typically invest in long-term and illiquid assets such as private equity or infrastructure projects, which require time to mature and cannot be readily exited. A fixed tenure therefore provides stable committed capital and enables fund managers to realise value over an appropriate investment horizon, which is why SEBI mandates a close-ended structure for these categories.

Category III AIFs, on the other hand, may be open-ended or close-ended, depending on their strategy. These funds often invest in liquid, market-traded securities and may engage in active trading or hedge fund-like approaches. Since their portfolios can be adjusted quickly and consist of assets that can be bought or sold with ease, an open-ended structure allows greater flexibility for periodic investor entry and exit without affecting the investment strategy.

Extension of Tenure

A close-ended AIF may extend its tenure by up to two years with the approval of two-thirds of its unit holders by value, typically where investments have not been fully realised within the original tenure. In the case of Large Value Funds for Accredited Investors, SEBI permits extensions of up to five years, recognising the ability of financially sophisticated investors to participate in longer-horizon or complex strategies. If the requisite investor approval is not obtained, the AIF is required to commence the winding-up process upon expiry of its original tenure.

Winding Up of AIFs

An AIF must be wound up in the following situations:

1. Upon expiry of its tenure
2. If the trustees or governing body decide so in the interest of investors
3. If SEBI directs winding up in cases of serious regulatory breaches
4. If at least 75% of the investors by value pass a resolution for early winding up

Upon winding up, the AIF must distribute all proceeds to investors after liquidating its investments and settling all liabilities, in accordance with the terms of the fund and the SEBI regulation.

Taxation of Alternative Investment Funds

The Income-tax Act, 1961 provides a dedicated taxation framework for Alternative Investment Funds (AIFs) registered under SEBI's AIF Regulations. This tax structure is primarily contained in Section 115UB, supported by Sections 10(23FBA), 10(23FBB), 10(23FBC) and the TDS under Section 194LBB. The tax framework distinguishes between Category I and II AIFs, which enjoy a pass-through status for most income, and Category III AIFs, where taxation is largely at the fund level.

1. Taxation of Category I and II – Pass Through Income

Category I and Category II AIFs are treated as “investment funds” under Section 115UB of the Income-tax Act. Under this framework, all income other than business

income is not taxed at the fund level but is instead taxed directly in the hands of the investors. Section 10(23FBA) provides that such non-business income earned by the fund—such as capital gains, interest and dividend income is exempt in the hands of the AIF. Section 115UB (1) further mandates that this income be

allocated to the investors and taxed as if it had been earned by them directly, with each investor being taxed according to their residential status and applicable tax rates. However, where any portion of the fund’s income is classified as profits and gains from business or profession, the tax liability is discharged by the AIF itself. In such cases, Section 10(23FBB) exempts the business income in the hands of the investors, thereby preventing double taxation.

2. Taxation of Category III AIF’s – Fund Level Taxation

Category III AIF’s are taxed differently from Category I and II funds. Under Section 115UB(4), all income of a Category III AIF is taxed at the fund level at the maximum marginal rate, since the income generated by these funds is generally regarded as business income. This is because Category III AIF’s are predominantly engaged in active trading, derivative transactions, and short- term buying and selling, activities which naturally give rise to business-like income rather than capital gains. The law taxes such income directly in the hands of the fund, and investors receive only post-tax distributions from the fund.

The Act further provides a separate treatment for “specified funds,” which are Category III AIF’s located in an International Financial Services Centre and the units are held entirely by non-resident investors except for sponsor or manager. For these funds, Section 10(23FBC) grants an exemption to non-resident unit holders, meaning that any income they receive from the fund, including income on sale of units, is tax-free in their hands, while the fund itself continues to pay tax at the fund level.

3. TDS on Income Distributed by AIF’s

Tax deduction at source on AIF distributions is governed by Section 194LBB and applies only to Category I and Category II AIF’s, as defined under Explanation 1(a) to Section 115UB. Such funds are required to deduct tax at the time of credit or payment of income to investors at 10% in the case of resident investors and at rates in force for non-resident investors, subject to applicable DTAA provisions. Since Category III AIF’s are taxed at the fund level under Section 115UB(4), distributions made by such funds fall outside the scope of Section 194LBB.

4. Forms issued by AIFs under the Income Tax Act

AIF’s are required to report the income allocated to their investors through specific statutory forms. Form 64D is filed by the AIF with the Income-tax Department by 15 June, containing the total income distributed to all unit holders during the year. After filing this, the fund must issue Form 64C to each investor by 30 June, providing the investor-wise break-up of income allocated to them.

Why AIFs Matter in the Indian Economy

Alternative Investment Funds play an important role in India's financial system by directing private capital into areas such as start-ups, private equity, infrastructure, private credit and market-linked investments. These are sectors where traditional sources of finance may be limited. By providing long-term and risk-bearing capital, AIF's support business growth and capital formation.

From an investor's point of view, AIF's offer access to investment opportunities beyond mutual funds and fixed-income products. According to Knight Frank's *Wealth Report 2025*, India has around 85,600 high net worth individuals, indicating a growing base of investors with the capacity to invest in alternative assets. Institutional investors typically use AIF's for long-term diversification, while high net worth individuals increasingly use them to gain exposure to specialised investment strategies.

Despite higher risk, longer lock-in periods and limited liquidity, AIF/s are increasingly viewed as an addition to traditional asset classes rather than a substitute.

Notable Alternative Investment Fund Managers in the Market

1. 360 One Private Asset Management
2. National Investment and Infrastructure Fund
3. Barings Private Equity Fund
4. Alchemy Capital (Leaders of Tomorrow)
5. ICICI Prudential AMC
6. Kotak Investment Advisors

It is important to note that these are not the names of individual AIF schemes. Rather, they are brand or platform names under which multiple AIF's are managed and operated across different SEBI-defined categories (Category I, II, and III), each with distinct investment strategies, structures, and regulatory characteristics.

Conclusion

AIFs have emerged as a key part of the investment landscape, supported by well-defined regulatory and tax provisions. For professionals, understanding how these funds operate and how income is taxed is critical for effective compliance and advisory work. As the industry expands, greater awareness and clarity will help ensure that AIF's function smoothly and transparently. This article provides a structured overview intended to strengthen the professional understanding required to engage with this growing sector.

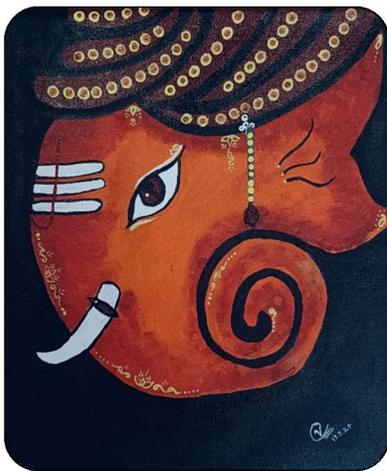
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CREATIVE BUNCH

ARTWORK



Chiranmai Reddy Kotha
SRO083322
HYDERABAD



Vanishika Khandavilli
SRO0862546
HYDERABAD



POEM

SAARATHI

The one who was sold never wrote a word,
 The one who wrote was never heard.
 Here, every page is filled with lies,
 Yet truth hides from seeking eyes.
 Pens are seen in every hand,
 Yet scribbled words fail to stand.
 They write as if bound in chains,
 Slaves of power, lost in gains.
 Some have deeds that shine so bright,
 Some hold morals firm and tight.
 A rare few stand, unshaken, strong,
 No matter what, they right the wrong.
 Some still dare to take a stand,
 Mocking tyrants across the land.
 But power strikes to pull them low,
 Yet they rise, refusing to bow.
 Their words lean to just one side,
 No wisdom in their vacant eyes.
 No one dares to show what's true,
 Yet lies are painted in perfect hue.
 Now, just a few are left sincere,
 Where has truth gone, unclear?
 Falsehood served on every page,
 No more trust in media's cage.
 Some hold pens of justice tight,
 While others drift where power is right.
 They write what kings whisper near,
 Bound by greed, drowned in fear.
 Questions, they refuse to ask,
 Praises sung— their only task.
 Journalism left far behind,
 Fueling flames with a reckless mind.
 I now seek the voice of truth,
 Is there one who writes with proof?
 Hindu, Muslim, Sikh, and Christian,
 All they teach is mere division.
 At the lowest rung, we sit in shame,
 Yet none feel surprise or blame.
 If words are bent and truth is sold,
 How will the fourth pillar hold?



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INVITATION FOR ARTICLE

SICASA Hyderabad is inviting articles for the E-Newsletter: INSIGHT for the month of February 2026. All the students who want to get featured can submit their articles, artworks, poems, and short stories, etc., which are related to the Chartered Accountancy curriculum, for our future newsletters. You can also play Quiz & Puzzles.

Send us your works on: sicasahydnewsletter@gmail.com

Last Date for Submission: 5th March, 2026.

Rules:

1. No word limit, but the articles shall be confined to the topic opted for.
2. The article should be sent in a Word document only.
3. No plagiarism allowed; content sent should be original.
4. Send your works to the mail with the following attachments:
 - Your work
 - Full name along with student registration number & firm name
 - Passport photo
 - Contact details.
 - Subject of email must contain the details of your work
(E.g., Article/Artwork, etc.)