

Maritime Development Fund (MDF) Guidelines

Definitions

1. Advisory Board: As defined under Clause II.8.ii

2. Fund Manager: An entity (which may take various legal forms) responsible for fundraising, structuring, managing investments, and overseeing the investment portfolio in accordance with the applicable regulatory framework. The Fund Manager ensures that the fund operates within its stated mandate and compliance requirements. Other commonly used terms for a Fund Manager include Investment Manager and General Partner (GP).

3. Government of India's contribution: For the purpose of the MDF Guidelines and Maritime Investment Fund (MIF), the term Government of India's contribution or GoI contribution refers exclusively to the 49% equity commitment/contribution (amounting to ₹9,800 crore) through budgetary support in alignment with the Cabinet approval of Maritime Development Fund (MDF).

This definition excludes any future contributions from other Government entity investors such as Central Public Sector Enterprises (CPSEs), Public Sector Undertakings (PSUs), or Major Port Authorities (if any).

4. Governing Council: The Cabinet approval of the Maritime Development Fund (MDF) mandates setting up of a Governing Council with representation from Government, finance, maritime infrastructure sector to oversee the activities of MDF. Accordingly, the Governing Council (GC) has been set up through the OM SY-19014/71/2024-SBR (e367693) dated 13th October 2025. For details of the composition of the GC, relevant OM to be referred.

5. Investment Period: Investment period for the fund shall be for 5-8^[1] years from first closing. The final investment period shall be dependent on the risk appetite of other investors and fund tenor¹

6. Junior Tranche: A Junior Tranche refers to a class of units or instruments within an AIF or a scheme of an AIF that is subordinate to other class(es) of units. Investors in this tranche may accept returns lesser than their pro-rata rights or share losses more than their pro-rata share in the investments of the AIF.

^[1] All terms/specifics to be finalized post on-boarding of fund manager

As per SEBI regulations, entities eligible to subscribe to Junior Tranche include:

- i. Manager or Sponsor of the AIF
- ii. Multilateral or Bilateral Development Financial Institutions
- iii. State Industrial Development Corporations
- iv. Entities established, owned, or controlled by the Central Government, State Government, or a foreign government, including Central Banks and Sovereign Wealth Funds

7. Senior Tranche: A senior tranche refers to the highest-priority class of investment units within a structured fund or Alternative Investment Fund (AIF). Investors in the senior tranche enjoy first claim on all cash flows and repayment obligations. Losses, if any, are absorbed by subordinated tranches before impacting the senior tranche. Owing to its preferential position, the senior tranche carries comparatively lower risk and correspondingly lower returns and is typically suited for investors seeking security and stability while participating in the fund structure.

8. First Loss: First Loss shall mean any occurrence in which the value of the underlying investment or exposure deteriorates, and a loss is realized. Such loss under the risk-sharing arrangement would be initially absorbed by the Gol's concessional tranche prior to any allocation of loss to equity tranche of other investors. First-loss coverage shall apply specifically and exclusively to the capital-repayment obligations.

Glossary

MDF	Maritime Development Fund
MIF	Maritime Investment Fund
AIF	Alternate Investment Fund
IIF	Interest Incentive Fund
SEBI	Securities and Exchange Board of India
IFSCA	International Financial Services Centres Authority
DFS	Department of Financial Services
DEA	Department of Economic Affairs
SMFCL	Sagarmala Finance Corporation Limited
RBI	Reserve Bank of India
IWT	Inland Waterways Terminal
MMLP	Multi Modal Logistics Plan
GoI	Government of India
GC	Governing Council
MoPSW	Ministry of Ports, Shipping and Waterways
IC	Investment Committee
SOPs	Standard Operating Procedures
FM	Fund Manager
RBI	Reserve Bank of India
PSUs	Public Sector Undertaking
CPSEs	Central Public Sector Enterprises
MAKV 2047	Maritime Amrit Kaal Vision 2047
MIV 2030	Maritime India Vision 2030
NIIF	National Investment and Infrastructure Fund
QCBS	Quality and Cost Based Selection

1. Background

1.1 The Union Cabinet, vide Office Memorandum No.29/CM/2025, Case No. 195/29/2025, dated 24 September 2025, has approved the establishment of a Maritime Development Fund (MDF) with a total corpus of ₹25,000 crore to support the growth of the maritime sector and address its long-term financing requirements. The MDF has been envisaged as a dedicated vehicle to provide structured financial support for the development of shipbuilding, ship repair, ports, inland waterways, coastal shipping, and augmentation of India's tonnage capacity, thereby enabling the sector to achieve global competitiveness.

1.2 The MDF shall comprise two distinct components:

i. Maritime Investment Fund (MIF) – with a corpus of ₹20,000 crore

The Government of India's Contribution to this fund shall be restricted to 49% of the total corpus, with the balance mobilized from other institutional, public sector and private investors.

The MIF shall through equity participation catalyze investment in the maritime sector.

Through a blended finance approach, the fund is designed to enhance the availability of long-term, affordable, and accessible capital for the sector.

ii. Interest Incentivization Fund (IIF) – with a corpus of ₹5,000 crore

The IIF shall be funded entirely through budgetary support of the Government of India. It will operate in the nature of financial assistance/grants, aimed at reducing the effective cost of debt and improving the overall bankability of maritime projects.

1.3 The MDF shall be overseen by the Governing Council, comprising representatives from relevant Ministries/Departments, which shall provide overall policy guidance, review the performance of the fund, and ensure alignment with the broader objectives of national maritime development.

1.4 Through the MDF Guidelines, the Governing Council is setting out the investment framework for the MDF, including the process for selection and engagement of Fund

Managers and Implementing Agencies, guidance on fund structuring and operational aspects, and the policy and directional guidance for its deployment.

1.5 The MDF Guidelines have been formulated under the aegis of the Governing Council by the Ministry of Ports, Shipping and Waterways (MoPSW). Any amendments to the MDF Guidelines may be done by MoPSW in consultation with the Department of Economic Affairs (DEA).

2. Maritime Investment Fund (MIF) Guidelines

2.1 The MIF Guidelines provide a broad framework for the functioning of MIF and articulates the strategic intent and objective of MIF. The Fund Manager shall undertake market sounding activities to determine the specific contours of the fund and prepare a Term Sheet for the MIF. The Fund Manager shall seek the Governing Council's approval on MIF. The fund shall be launched post approval of the Governing Council.

2.2 Fund Structure

2.2.1 MIF would be set-up as a **trust under the Indian Trusts Act, 1882**

2.2.2 It would be registered as a closed-end Category I/ Category II Alternative Investment Fund (AIF) with SEBI (Securities and Exchange Board of India) as per extant rules/procedures.

2.2.3 MIF may be structured as one single AIF or multiple AIFs, each with a focus on specific maritime sub-sector(s) or segment(s). The Fund Manager (appointed by the Governing Council) would be responsible for analyzing and justifying the structuring of the fund into one or more AIFs, each with distinct investment focus and/ or investor base.

2.2.4 In both cases, the Fund Manager would need to present the structuring rationale to the Governing Council and secure its concurrence.

2.2.5 The Fund Manager may also setup one or more feeder funds /fund of funds/co-investment vehicles in IFSCA (International Financial Services Centres Authority) to pool investments by global investors in the downstream MIF structures in India.

2.2.6 Responsibility of setting up of the MIF including preparation and filing of fund documents, obtaining approvals, being a Sponsor and registration of the MIF would lie with the Fund Manager.

2.2.7 Trustee of the MIF could be a third-party trustee company or a trustee company to be set-up by the associate of the Fund Manager with the prior approval of the Governing Council.

2.3 Fund Manager

2.3.1 Engagement of Fund Manager

A Search-cum-selection committee (SSC) would be constituted by the Governing Council for selection of Fund Manager. The committee would be chaired by Managing Director, Sagarmala Finance Corporation Limited (SMFCL) with nominations (not below the rank of Director) from MoPSW, Department of Financial Services (DFS), Department of Economic Affairs (DEA), and National Investment and Infrastructure Fund (NIIF).

The committee shall be empowered to draft and finalize the Tender Document for Fund Manager selection which shall include contract for selected Fund Manager, run a QCBS based limited tender process among PSU/ government financial institutions/ Fund Manager, evaluate applications received and shortlist the Fund Manager which shall be placed before the Governing Council for approval.

The SSC shall evaluate the interested Fund Managers based on the technical proposal and presentation made by them. The committee will evaluate the technical proposals of participating fund managers based on their **expertise in the maritime sector, fund structuring, fund raising, blended finance, fund management and infrastructure financing. A limited tender amongst financial institutions (owned by PSUs/ Government Institutions) governed by Indian regulators** shall be adopted. A proposal to this extent to be placed and appraised by the Governing Council along with the SSC.

2.3.2 Collaboration and Ownership

Given the limited experience in blended finance and maritime financing in India, **the participating entities will have the flexibility to collaborate with or onboard private**

domestic or international fund managers possessing requisite experience to attract private capital, expertise and investment network internationally.

However, the controlling stake shall be retained by the Indian entity to ensure strategic alignment and governance oversight.

In case of a collaboration, while the fee sharing structure between the lead participating capital and incoming domestic or international entity shall be mutually decided by them, the guiding principle would be to encourage an economic arrangement that promotes attracting private sector investors beyond public sector investors, raise additional capital and diversify investor base.

A separate Indian entity shall be established by the selected Indian entity and partnering private domestic/international entity for the purpose of managing the MIF.

2.3.3 Key Appointments

MIF shall be managed by a dedicated multi-disciplinary investment team with relevant expertise in maritime sector, fund management and/or blended finance. The team size shall be commensurate with the size of MIF.

The MIF shall have a dedicated CEO/ Head who shall be appointed by the Fund Manager. The CEO/Head of the Fund shall have relevant experience in fund management and infrastructure financing. The investment management team of MIF shall be hired with market-linked compensation in order to attract and retain professional, high-quality talent.

2.3.4 Fee Structure

i. Fund Management Fee

The Fund Manager shall be eligible for management fee as per prevalent market practices.

The Management Fee during the Investment Period shall be on the committed capital of investor including Gol.

Further, the Management Fee on the outstanding investment (i.e. invested capital net of divestments and write-offs) during the period beyond the Investment Period.

While the actual fund Management Fee would be determined through negotiations between the Search-cum-selection committee and the participating fund managers, **the fund management fee on Government of India's contribution and contribution from Major Port Authorities (if any), shall be in the range of 0.6% to 0.8% per annum.** Considering high visibility on committed corpus from Gol as well as on other investors (such as Major Ports), fee is expected to be at the lower end.

The fund management fee for other investors shall be determined basis the negotiation between the Fund Manager and other investors.

Investment period for the fund shall be for 5-8^[2] years from first closing. The final investment period shall be dependent on the risk appetite of other investors and fund tenor.

The Fund Manager may consider the warehousing of investments, where appropriate, in accordance with the fund's investment strategy and governance framework.

ii. Performance-based fee/Carry

Performance Fee/Carry serves as performance-linked incentive paid to the Fund Manager when the fund's returns exceed a predetermined threshold, known as the hurdle rate, for all investors. This fee serves as an incentive for the Fund Manager to consistently outperform hurdle/benchmark returns. **The Performance Fee shall be 15% with respect to the Government of India's contribution and the Major Port Authorities' contribution (if any).**

The final terms of appointment of the Fund Manager shall be approved by the Governing Council based on the recommendations made by the Search-cum-selection committee.²

2.3.5 Roles & Responsibilities of the Fund Manager

The roles and responsibilities of the Fund Manager shall be as follows:

^[2] All terms/specifics to be finalized post on-boarding of fund manager

- i. Fundraising and investor relation management
- ii. Origination, appraisal (technical, commercial, financial, tax, legal due diligence), structuring and execution of investments
- iii. Designing a return distribution waterfall in consultation with the Governing Council and in consonance with the commercial bid and investor feedback
- iv. Portfolio Management, risk monitoring, blended finance management
- v. Compliance with Investment Guidelines, laws, rules and regulations of SEBI, RBI and any other regulatory statutory agencies as applicable to MIF
- vi. Regular reporting to Gol and investors
- vii. Facilitating repatriations of returns and exits
- viii. Overall management of the fund
- ix. Fund Manager shall indemnify the members of the Governing Council from consequences arising out of actions taken in good faith and in furtherance of their duties, within the limits of their authority, and excluding cases involving fraud, wilful misconduct, or gross negligence

2.3.6 Fund Raising

i. Target Corpus and Commitment

The target corpus of the Maritime Investment Fund (MIF) shall be ₹20,000 crore, with the Government of India committing 49% of the total corpus, equivalent to ₹9,800 crore, as its committed capital.

The mechanism for channeling Government of India's commitment into MIF shall be through Sagarmala Finance Corporation Limited (SMFCL). SMFCL shall hold and manage Gol's contribution to the AIF established for MIF. Investments made against Gol's contribution shall be held by SMFCL in fiduciary capacity while accounting for applicable legal and tax considerations in-line with applicable public finance norms.

The balance released commitment net of investments shall be grouped under Other Liabilities in the Balance Sheet of SMFCL with all gains/losses, income and expenses forming part of the fund.

The returns and capital redistribution from MIF shall be retained at the SMFCL entity level with the flexibility to seed future fund creation, enabling a sustainable and long-term capital recycling mechanism till such time as may be decided by Gol.

The remaining 51% of the corpus shall be raised from private and commercial investors, sovereign wealth funds, other institutional investors, fund of funds, major ports of India, and other eligible contributors.

ii. Fund Raising Timelines and Multiple Closes

The fund may be structured to have multiple closes. At each close, it shall be ensured that the Government of India's commitment does not exceed 49% of the corpus raised during that close.

The first close shall be achieved within 12 months from the date of SEBI registration, with an initial corpus of at least ₹5,000 crore.

The final close shall be completed within 36 months from the first close.

iii. Potential for Corpus Enhancement and Dilution

Emphasis shall be laid on the need to leverage commitments from Government including Major Port Authorities to attract significant investments from the private sector. The overall corpus of the fund **may be enhanced beyond the initial target of ₹20,000 crore through additional contributions from investors other than the Government of India contribution, potentially reaching up to ₹30,000 crore.**

In such scenario, wherein the Government of India's stake within the total corpus may fall below 49%, the fund manager must ensure that investor commitments, hurdle rates and governance standards are preserved while leveraging greenshoe provision to attract private capital.

2.4 Broad Investment Framework

2.4.1 The Fund Manager(s) shall invest primarily in projects of national importance that are aligned with the Maritime India Vision 2030, Maritime Amritkaal Vision 2047 and the broader maritime development objectives of the country. **Investments shall be confined**

to the maritime and related sectors, with a focus on promoting strategic and priority areas.

2.4.2 Priority Investment Areas

Projects related to shipbuilding, shipbuilding clusters, ship repair, ship ownership, port expansion, IWT, coastal shipping as well as international shipping shall be treated as priority sectors due to their national and strategic significance.

A minimum of 50% of the investable corpus shall be allocated to projects in priority sectors, with an aspiration to increase this allocation up to 70% based on sectoral opportunities and fund objectives.

For clarity and avoidance of doubt, other than priority sectors include but are not limited to logistics parks connectivity infrastructure, MMLPs, among others.

CPSUs transporting EXIM/coastal cargo would maintain an appropriate equity stake of MIF in all vessel-owning SPVs being set up.

2.4.3 Investment Scope

Investments shall be directed towards tonnage enhancement, infrastructure development and expansion, technology, innovation, and operational initiatives, sustainability within the maritime ecosystem and its related sectors.

Investments outside India (except companies registered in IFSC or similar locations) shall be permitted only in technology-driven and innovation-oriented projects that complement the domestic maritime sector, subject to prior approval from the Governing Council, and shall be kept limited in scale and scope not exceeding 10% of investible corpus.

The Fund shall make investments which are consistent with its Investment Strategy.

Without the prior consent of the Advisory Board, the Fund will not invest:

- i. More than 15% of its aggregate capital contributions in any single portfolio company
- ii. More than 40% of its aggregate capital contributions in any single maritime sub-sector
- iii. More than 20% of its aggregate capital contributions in any one business group

For the purpose of this guideline, maritime sector shall be further delineated into following sub-sectors:

- i. Shipping / Ship Ownership

- ii. Shipbuilding and Repair
- iii. Ports
- iv. Inland Water Transport (IWT) and Coastal Shipping
- v. Other Maritime Activities, which may include but are not limited to Multi-Modal Logistics Parks (MMLPs), Maritime Connectivity Infrastructure, Ancillary Manufacturing and Services supporting the maritime value chain.

2.4.4 **Portfolio Construction**

Fund managers shall ensure that investments are structured to balance returns and risks in line with the fund's risk appetite and investment objectives.

Diversification across sub-sectors, geographies (where permitted), and investment instruments is encouraged to mitigate portfolio risks while optimizing returns.

2.4.5 **Co-Investment Approach**

Fund Manager(s) may develop strategies and adopt mechanisms that actively explore co-investment models with other Funds and/or investors. Such approaches may be used to leverage resources, support a larger number of projects, facilitate faster project grounding/financial closures and crowd in private capital at both the fund and project levels, thereby enhancing the overall impact and scale of investments.

2.4.6 **Investment Instruments**

The **mode of investment shall be equity instruments** to support growth, expansion and sector development.

The Fund Manager(s) shall retain the flexibility of selecting investment instruments to address sectoral needs, project-specific considerations and to optimize portfolio diversification.

2.5 **Blended Finance Approach**

2.5.1 **Junior and Senior Tranche Structure**

The Maritime Investment Fund shall be structured using a blended finance approach, comprising junior tranche and senior tranche, to facilitate investments in strategic maritime projects.

The Government of India, with its 49% committed contribution, shall serve as the concessional capital provider, offering a 2% initial hurdle rate or a provision for first-loss absorption. This concessional support is intended to lower the risk of investments and enhance the fund's ability to attract capital from commercial and institutional investors.

Distribution of proceeds may have the following indicative waterfall structure:

i. Return of Capital: Upon a liquidity event or availability of distributable proceeds, capital contributed by all investors is returned first, on a pro-rata basis relative to their respective investments, until full repayment of invested capital.

ii. Concessional Return: Thereafter, distributable proceeds are paid on a pro-rata basis among all investors until each investor has achieved the 2% cumulative return on their invested capital.

iii. Hurdle for all Investors: Once the 2% concessional return is fully achieved for all investors, distributions thereafter would be made to other than Gol investors including Major Port Authorities, until they receive a cumulative return including returns mentioned at (b) above of ~10%^[3]. Thereafter, distribution will be made to Gol until they receive a cumulative return of ~10%^[4] (Hurdle rate defined for other than Gol investors).

iv. Residual returns*: After the hurdle for all investors are met, provision of performance fee or carry would become applicable. Distributions are then split between the investors and Fund Manager according to the agreed carry structure. (For instance, if the agreed carry structure is 85:15, 15% of the distributable proceeds would go to the Fund Manager and 85% to the investor pool).

**Contributions made by Gol and Major Port Authorities will not be subject to any Catch-Up^[5] provision. The Fund Manager, however, may negotiate catch-up arrangement with other investors (excluding Gol and Major Port Authorities).*

2.5.2 Leveraging Concessional Capital³

^[3] The exact commercial investor hurdle rate would be decided based on other than Gol investor's terms and conditions for investment.

^[4] The exact commercial investor hurdle rate would be decided based on other than Gol investor's terms and conditions for investment.

^[5] After the Investors have met their hurdle, Catch-Up provision allows Fund Manager to receive up to 100% of additional profits until their profit reaches the agreed-upon share.

The concessional capital from the Government of India is designed to bridge the gap between the lower return profile of certain strategic or high-impact projects and the return expectations of commercial investors. By offering preferential terms, the concessional tranche shall enable the fund to invest in projects that deliver long-term national benefits, even where immediate commercial returns may be modest, while ensuring that senior tranche investors are shielded, and their typical return expectations are met.

The Fund Manager may explore potential to raise further concessional capital from Public Sector Undertakings, Multi-lateral Development Banks, Development Financial Institutions, etc.

2.5.3 Fundraising and Deployment Considerations

Given this structure, the fundraising and deployment strategies must:

- i. Be aligned with the blended finance framework, ensuring that capital is mobilized in a way that preserves the risk-adjusted return profile acceptable to both concessional and commercial investors.
- ii. Prioritize projects where concessional support unlocks otherwise financially unviable but strategically important investments.
- iii. Structure capital flows to balance portfolio risk, ensure compliance with hurdle rates and transparently delineate the roles and returns of junior and senior investors.

2.6 Corpus Enhancement and Investor Commitment

2.6.1 In cases where the fund's corpus is enhanced beyond ₹20,000 crore, resulting in the Government of India's stake falling below 49%, the fund manager must carefully assess the implications on investor commitments.

2.6.2 A reduction in the government's stake may diminish the cushion provided by the concessional tranche, potentially affecting the risk absorption capacity and returns available to senior investors.

2.6.3 Institutional design of the fund manager entity shall be structured to balance operational independence with strong governance. The entity shall function autonomously, at arm's length distance from the parent entity, and shall not incur fiduciary

or legal liabilities in case of investment underperformance or losses excepting for gross negligence or mismanagement of the fund.

2.6.4 While the Government is committed to enabling private sector participation through a lower hurdle rate and/or first-loss capital, the fund structure shall be designed to ensure a balanced distribution of returns. The Governing Council and Fund Manager shall retain the flexibility to recalibrate return-sharing mechanisms, including hurdle rates and carry structures, to avoid scenarios where private investors earn disproportionately high returns relative to the Government's contribution and risk exposure. Such adjustments shall be made in consultation with all stakeholders to maintain strategic alignment and equitable outcomes.

2.6.5 The fund manager shall ensure that commitments related to hurdle rates and risk-sharing are honored and adjustments to fund structure or capital deployment are made in consultation with investors and Governing Council.

2.6.6 Clear governance protocols and communication strategies shall be implemented to safeguard investor confidence while preserving the fund's long-term strategic objectives.

2.7 First Loss Provision

2.7.1 A First Loss capital protection mechanism is provided as an enabler within the blended finance structure to attract additional capital from commercial and institutional investors. Under this arrangement, the Government of India, through its concessional tranche, shall absorb the initial portion of any loss (up to a defined limit). The upper limit of the first-loss absorption shall be confined to Government of India's contribution to the fund which is 49%. The upper limit would be finalized by the Fund Manager by undertaking suitable market sounding analysis and approved by the Governing Council), thereby de-risking the investment for other investors.

2.7.2 Under First Loss structure, distributions may assume following indicative waterfall:

- i. **Absorption of First Loss:** Government of India's concessional tranche absorbs initial losses up to the defined limit. Capital contributed by other than Gol investor shall be repaid to the extent of their invested capital.
- ii. **Recovery of Concessional Capital:** Thereafter, returns (upon availability) shall be used to replenish concessional tranche of Gol until its invested capital is recovered.
- iii. **Hurdle for all Investors (including Gol):** After repayment of capital, distributions would be made to all investors, until they receive a cumulative return of ~10%^[6].
- iv. **Residual Returns*:** After the hurdle for all investors are met, provision of ⁴performance fee or carry would become applicable. Profits are then split between the investors and Fund Manager according to the agreed carry structure. (For instance, if the agreed carry structure is 85:15, 15% of the distributable proceeds would go to the Fund Manager and 85% to the investor pool).

**Contributions made by Gol and Major Port Authorities will not be subject to any catch-up provision. The Fund Manager, however, may negotiate catch-up arrangement with other investors (excluding Gol and Major Port Authorities).*

2.7.3 This provision of First Loss Capital Protection is intended solely to enhance investor confidence and mobilize further private capital in projects where perceived sectoral risks may otherwise limit participation. However, it is to be used only as a last resort, after reasonable fundraising efforts have been exhausted and where additional support is essential to bridge risk gaps and facilitate strategic investments.

2.7.4 Fund managers are expected to deploy the First Loss mechanism judiciously and transparently, ensuring that it supplements and not substitutes sound project evaluation, risk management and capital mobilization efforts.

2.8 Benchmark Returns

2.8.1 The Government of India as concessional capital provider shall take concessional returns with initial hurdle rate of 2%.

^[6] The exact commercial investor hurdle rate would be decided based on other than Gol investor's terms and conditions for investment.

2.8.2 Investors other than Government of India may have an initial hurdle of ~10%. This may be refined based on market sounding by the Fund Manager and in discussion with the Governing Council.

2.9 Monitoring & Reporting Framework

2.9.1 Governing Council

The Governing Council (GC), comprising representatives from the Ministry of Ports, Shipping and Waterways (MoPSW), other relevant ministries, PSUs, financial institutions and the maritime sector, shall oversee the long-term performance of the fund and its Fund Manager(s).

The GC will provide policy guidance, approve the appointment and terms of the Fund Manager(s) as recommended by the selection committee, weigh in on fund structuring and strategic deviations, aligned with the objectives of the Maritime Investment Fund.

The GC shall operate at arm's length from day-to-day operations and convene bi-annually with Fund Manager(s) to review performance and strategic direction during the Investment Period and then convene annually post the Investment Period. Meetings of the Governing Council shall be convened in Delhi.

Representatives from financial institutions/ banks and representatives from maritime industry/ shippers/ investors who have been nominated as GC members shall be eligible to receive allowances for participating in GC meetings. The allowances may cover actual costs incurred, such as travel allowance, accommodation, and other related expenses, if any.

2.9.2 Advisory Board

The Fund Manager(s) shall establish an Advisory Board comprising nominees from investors holding at least 10% of the aggregate capital commitment. The Advisory Board shall advise on matters such as conflict resolution, fund tenor extensions, Investment Periods, without being involved in daily operations. Major Ports may jointly appoint appropriate number of members on advisory board.

Meetings with the Advisory Board shall be convened on an as-needed basis.

2.9.3 Reporting to Investors

The fund manager shall provide investors with regular reports, including monthly and quarterly updates on fund performance, fund valuation, audited/ un-audited financial reports, significant milestones such as first and subsequent closes, investments made, and exits/divestments executed. Key developments such as senior leadership changes shall also be communicated promptly.

2.9.4 Investment Committee

The Investment Committee (IC) shall be duly constituted by the Fund Manager and shall comprise senior members of the Fund Manager, including the CEO, CIO, risk/sector heads. The IC may have independent members as may be decided by the Fund Manager.

The IC shall appraise and approve projects for investment or divestment based on recommendations from the fund management team. This committee shall not include investor representatives and will focus on ensuring rigorous evaluation and alignment with the fund's investment strategy.

2.10 Conflict of Interest

2.10.1 In case where the selected financial institution/fund manager has other lines of business such as lending or managing other funds, strict governance frameworks shall need to be adopted to ensure integrity, fairness and compliance with applicable laws.

2.10.2 Conflict of Interest Management

The Fund Manager shall establish and maintain robust Chinese wall mechanisms to prevent the flow of sensitive information between business verticals or funds under its management. Clear **operational and informational boundaries** shall be defined to ensure that **decision-making processes related to the Maritime Investment Fund remain independent and insulated from other interests.**

Procedures must be implemented to:

- i. Avoid undue influence or preferential treatment between business lines.
- ii. Ensure unbiased evaluation and selection of projects.
- iii. Safeguard confidentiality of proprietary information and investor data

2.10.3 Confidentiality and Project Evaluation

Projects under evaluation for equity investment must be handled with the highest degree of confidentiality. The fund manager shall adopt appropriate protocols for information sharing, data access, and documentation, ensuring that information pertaining to investment decisions is not shared across unrelated business units.

2.10.4 Lending Governance and Anti-Evergreening Measures

Where the fund manager's lending arm provides debt financing to projects into which the fund is making equity investments, such lending must be governed by applicable laws, prudential norms, and regulatory guidelines to prevent conflicts of interest and malpractices. In particular:

- i. Lending decisions shall be made independently and transparently, with full disclosure of related-party interests.
- ii. Measures shall be put in place to prevent evergreening of loans, circular financing, or other forms of financial manipulation

2.11 Replacement or Termination

2.11.1 Conditions under which Governing Council may replace or terminate the appointment of the Fund Manager:

- i. Non-performance
- ii. Breach of trust
- iii. Regulatory Violations

2.12 Review and Revisions

2.12.1 While these Guidelines provide a broad framework for operations and articulate the strategic intent and objectives of the Fund, the Fund Manager may, during fundraising, market sounding, investor interactions, project evaluation, or at any other stage, identify the need to modify or update the Guidelines in response to evolving market dynamics or investor expectations.

2.12.2 In such cases, the Fund Manager shall present the rationale and justification for the proposed modifications to the Governing Council. The Governing Council, based on these recommendations and through appropriate discussions, may suggest modifications

to the Guidelines as deemed necessary to ensure alignment with the Fund's objectives and prevailing market conditions.

2.12.3 The Governing Council also reserves the right to review, modify, or amend the Guidelines and operational features of the Fund in line with evolving sectoral and financial needs.

2.12.4 Amendments to the Guidelines may be done by MoPSW in consultation with the Department of Economic Affairs.

2.12.5 Any amendments to the scheme that might be required in future can be done by MoPSW with the concurrence of Department of Expenditure.

3. Interest Incentivization Fund (IIF) Guidelines

3.1 Interest Incentive Fund

3.1.1 The Interest Incentivization Fund (IIF) with a total corpus of ₹5,000 crore aims to provide financial assistance for reducing cost of debt availed by shipyards located in India. The IIF shall remain in force from the date of notification of the Scheme till 2036 (hereafter referred as the "Scheme Period").

3.1.2 The primary objective of the IIF shall be to:

- i. Reduce the cost of borrowing for Shipyards located in India thereby enhancing their financial viability.
- ii. Encourage modernization, expansion through affordable financing.

3.2 Broad Scope and Coverage

3.2.1 The Implementing Agency (engaged by the Governing Council) shall be responsible for formulating the Operational Guidelines and Standard Operating Procedures (SOPs) for implementation of the Interest Incentivization Fund. These Guidelines outline the directional intent and broad scope and coverage for IIF:

i. Loans covered

Term Loans (Capital Loans) and Working Capital Loans availed by shipyards located in India would be eligible for coverage under IIF.

Both fresh loans and incremental loans sanctioned during the Scheme Period shall be considered.

ii. IIF/Scheme Tenure

Loans sanctioned during the Scheme Tenure shall be eligible for availing financial assistance under IIF. The incentivization coverage for sanctioned loans may extend beyond 2036, subject to the terms decided by the Implementing Agency.

iii. Extent of Government Liability

The Government of India's liability under IIF shall be limited to the corpus of ₹5,000 crore.

The limited liability of ₹5,000 crore corpus shall be clearly communicated to Implementing Agency, Empaneled Banks/Financial Institutions, Eligible Beneficiaries.

3.3 Implementing Agency

3.3.1 Engagement of Implementing Agency

IIF shall be administered by the designated Implementing Agency, that is, Sagarmala Finance Corporation Limited (SMFCL).

3.3.2 Fee Structure

The Implementing Agency would claim service charges of 0.75% of the total fund corpus (₹5,000 crore) over the duration of the fund, that is, 10 years. The Implementing Agency may claim a service charge of 0.10% of the fund corpus in the first year of its operation. Further, the Implementing Agency may claim a service charge of 0.072% each year for the remaining nine years of the life of the fund.

3.3.3 Roles & Responsibilities of Implementing Agency

The Implementing Agency shall be entrusted with:

i. Drafting detailed Standard Operating Procedures (SOPs) and operational guidelines.

ii. Finalizing eligibility criteria for shipyards and loans.

iii. Determining calculation methodology for interest incentives and mechanism of disbursement.

- iv. Empanelment of banks/financial institutions for coverage under IIF.
- v. Establishing accounting, auditing and fund management protocols.
- vi. Coordinating between the Governing Council, Ministry, empaneled institutions, and shipyards.
- vii. Ensuring robust monitoring, reporting and evaluation mechanisms.
- viii. The IA shall design and operationalize a sophisticated digital portal to handle all processes related to the scheme, including:
 - Empanelment of Financial Institutions
 - Application submission
 - Information on evaluation and approval status
 - Claims processing and Disbursal
 - Reporting on IIF performance and compliance

The portal must be transparent, efficient, auditable and accessible to all stakeholders. It should also serve as an information and awareness platform for the public at large.

ix. The IA shall be responsible for outreach activities to ensure wide awareness among shipyards, financial institutions, and the general public. The IA may collaborate with industry associations, chambers of commerce, state maritime boards to disseminate information and promote uptake of IIF.

x. The IA shall undertake all functions necessary or incidental to the establishment, operationalization, administration, ongoing management, and eventual closure of IIF, including facilitating requisite legal and statutory approvals, ensuring compliance with applicable regulatory requirements, and managing all related filings, documentation, and representations before relevant authorities.

3.4 Broad Implementation Framework

3.4.1 The incentive shall be provided in the form of interest subvention/interest reimbursement, as per the methodology developed by the Implementing Agency and approved by the Governing Council.

3.4.2 Quantum, periodicity, and ceiling of incentives shall be determined in line with financial prudence and sustainability of the Fund.

3.5 Fund Utilization and Monitoring

3.5.1 The Implementing Agency shall maintain dedicated accounts for IIF and ensure transparent utilization. Quarterly and annual reports shall be submitted to the Governing Council. Independent audits may be undertaken to ensure compliance and accountability.

3.6 Review and Revision

3.6.1 The Governing Council also reserves the right to review, modify, or amend the guidelines and operational features of the Fund in line with evolving sectoral and financial needs.