BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/JS/DP/2026-27/32450-32456]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT,1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICERS) RULES, 1995

In respect of :

Sr. No.	Name of the Noticee	PAN
1.	Exfinity Technology Fund	AAATE8795L
2.	Exfinity Venture Partners LLP	AAXFA3467G
3.	Mr. V Balakrishnan	AAVPB8561G
4.	Mr. Shailesh Ghorpada	AAKPG3063D
5.	Mr. Chinnu Senthilkumar	AUBPS9117K
6.	Mr. Nihar Ranjan	AFFPN7032K
7.	Vistra ITCL (India) Limited	AAACI6832K

In the matter of Exfinity Technology Fund

BACKGROUND OF THE CASE

1. Analysis of the quarterly filings revealed that Exfinity Technology Fund (hereinafter referred to as "**Noticee No.1**"), in its quarterly report for September 2022 for Exfinity Technology Fund Series I Scheme (hereinafter referred to as '**Scheme'**), had submitted that the End Date of the Term of the said scheme as August 2019 and the End Date of the Extension as August 2021. Hence, from the perusal of the submitted data, *prima facie*, it appeared that the scheme had expired and was required to be wound up by August 14, 2022, i.e., within one year of date of expiry of extended tenure, in terms of regulation 29(1)(a) read with regulation 29(7) of SEBI (Alternative Investment Fund) Regulations, 2012 (hereinafter referred to as "**AIF Regulations**") as prevailed at the time of the said quarterly filing.

2. Therefore, Securities and Exchange Board of India (hereinafter referred to as '**SEBI'**), conducted an examination to ascertain compliance with respect to AIF Regulations by Noticee No. 1 with respect to tenure of Scheme.

3. Based on the findings of examination, SEBI initiated adjudication proceedings against Noticee No. 1, Exfinity Venture Partners LLP (hereinafter referred to as "**Noticee No. 2**"), Mr. V Balakrishnan (hereinafter referred to as "**Noticee No. 3**"), Mr. Shailesh Ghorpada (hereinafter referred to as "**Noticee No. 4**"), Mr. Chinnu Senthilkumar (hereinafter referred to as "**Noticee No. 5**"), Mr. Nihar Ranjan (hereinafter referred to as "**Noticee No. 6**") and Vistra ITCL (India) Limited (hereinafter referred to as "**Noticee No. 7**"), hereinafter collectively referred to as "**Noticees**", for the alleged violation of AIF Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

4. SEBI appointed the undersigned as the Adjudicating Officer vide communique dated August 29, 2025 under section 15I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **'SEBI Act'**), and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **'Rules'**) to inquire into and adjudge the aforesaid violations under section 15EA of SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A Show Cause Notice no. SEBI/EAD/EAD-2/JS/DP/ 29395/1-7/2025 dated November 21, 2025 (hereinafter referred to as "**SCN**") was issued to the Noticees to show cause as to why an inquiry should not be initiated against them and penalty, if any, should not be imposed upon them under the provisions of section 15EA of SEBI Act, for violation of provisions of AIF Regulations, alleged to have been committed by the Noticees.

6. The SCN, *inter alia,* alleged the following:

   (a) Noticee No. 1 had disclosed in Term of the fund clause of the Private Placement Memorandum - Page 14 that its tenure is 5 years (extendable by 1 year each twice) from the final closing. As per the response of Noticee No. 1, dated January 17, 2023, the date of the final close was August 14, 2014. Noticee No. 1 had further intimated to SEBI that the mandatory winding up period of the Fund would end on August 14, 2022. Noticee No. 1 also submitted that it attempted to liquidate the securities during the liquidation period, however, due to unfavorable market conditions, they had to extend the liquidation period by a further period of 1 year up to August 14, 2023 after seeking investor's approval.

(b) *It was further noted that SEBI vide Circular No. SEBI/HO/AFD/PoD-I/P/CIR/2024/026 dated April 26, 2024 and SEBI/HO/AFD-PoD/P/CIR/2024/100 dated July 09, 2024 had granted additional/fresh liquidation period of up to 1 year to those schemes of an AIF whose mandatory liquidation period had already expired.*

(c) *In compliance with the same, Noticee No. 1 submitted its application for the additional liquidation period on July 16, 2024. The same was taken on record and the additional liquidation period for the said scheme was granted till April 24, 2025 by SEBI on December 20, 2024.*

(d) *Therefore, as per the submissions of Noticee No. 1, the term of the scheme ended on August 14, 2019 and the extended term ended on August 14, 2021. Thus, it was required to be liquidated and proceeds distributed by August 14, 2022 as per regulation 29(7) of AIF Regulations. It was noted from the submissions of Noticee No. 1, dated December 30, 2024, that the Fund was not wound up and investments worth Rs. 6.34 crore (at cost) were yet to be liquidated as on December 30, 2024.*

(e) *Notwithstanding the extension granted by SEBI, it was alleged that Noticee No. 1 still failed to wind up the scheme even after the extended maturity of the scheme was over. It is noted that although Noticee No. 1 had intimated on August 11, 2022 that it had to liquidate the assets of the Fund by August 14, 2022 in terms of regulation 29(7) of the AIF Regulations. However, the Fund went ahead and sought consent of the investors to extend the scheme up to August 14, 2023. Such an extension was not in line with the terms of the PPM nor regulation 29(1)(a) read with regulation 29(5) and regulation 29(7) of AIF Regulations. Therefore, it is alleged that Noticee No. 1 has violated regulation 29(1)(a) read with regulation 29(5) and regulation 29(7) of AIF Regulations.*

(f) *SEBI further sought details from Noticee No. 1 vide email dated December 30, 2024 on the compliance with respect to the regulatory filings such as PPM Audit reports and Quarterly reports. Noticee No. 1 in its replies dated February 27, 2023 and December 30, 2024 provided the following response along with relevant documentary evidence of the same:*

Quarterly Report Filings -

Sr. No.	Quarter	Submission Date	Delay	Sr. No.	Quarter	Submission Date	Delay
1	Sep-2019	01-10-2019	-	13	Sep-2022	14-10-2022	4
2	Dec-2019	03-01-2020	-	14	Dec-2022	06-01-2023	-
3	Mar-2020	02-04-2020	-	15	Mar-2023	18-04-2023	8
4	Jun-2020	02-07-2020	-	16	Jun-2023	03-07-2023	-
5	Sep-2020	01-10-2020	-	17	Sep-2023	13-11-2023	-
6	Dec-2020	02-01-2021	-	18	Dec-2023	12-01-2024	-
7	Mar-2021	01-04-2021	-	19	Mar-2024	12-04-2024	-

Sr. No.	Quarter	Submission Date	Delay	Sr. No.	Quarter	Submission Date	Delay
8	Jun-2021	01-07-2021	-	20	Jun-2024	03-07-2024	-
9	Sep-2021	01-10-2021	-	21	Sep-2024	02-10-2024	-
10	Dec-2021	03-01-2022	-				
11	Mar-2022	06-04-2022	-				
12	Jun-2022	01-07-2022	-				

(g) It was observed from above that for the quarter ending March 2023, Noticee No. 1 filed the quarterly report with an eight days' delay without any justification. Therefore, it is alleged that Noticee No. 1 had violated regulation 28 of AIF Regulations read with Circular SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/549 dated April 07, 2021 and Circular CIR/IMD/DF/10/2013 dated July 29, 2013.

(h) It was further observed from the Quarterly filing for the period ending December'2022, that Noticee No. 1 had an overseas investment of more than 25% of investible funds. On the basis of the investment breakup provided by Noticee No. 1 vide email dated February 14, 2023, it was observed that the scheme Exfinity Technology Fund - Series I had an investment of Rs. 26.67 crore in overseas venture capital undertakings (VCUs). Further, it was observed that the investible funds of the Scheme were Rs. 104.07 crore as given in the following table:

(in INR Crore)

Name of Scheme	Investible Funds*	Investment in overseas VCU*	Investment in overseas VCU as % of investible fund
Exfinity Technology Fund - Series I	104.07	26.67	25.62%

*data as on February 14, 2023

(i) Further, comments were sought from Noticee No. 1 in this regard vide email dated March 29, 2023 with reference to the breach of 25% investment limit in overseas VCU. Noticee No. 1 in its reply dated March 29, 2023 stated that the scheme had remitted aggregate amount of INR 26.59 crore (in foreign currency) for investment in offshore venture capital undertakings. In this regard, Noticee No. 1 submitted as follows:

a. It had incurred INR 3,96,970 towards professional fees while making overseas investments. This amount was capitalized as cost of investments in line with Indian GAAP. However, this figure does not represent amount incurred in foreign currency.
b. During FY2018, one of portfolio companies issued equity in lieu of interest of INR 3,12,064 (equivalent to USD 4,541) accrued on convertible instruments that we had originally invested in. This did not involve any remittance in foreign currency.
Therefore, requested to consider the net FX amount invested in overseas portfolio companies at 26,59,71,052 instead of INR 26,66,80,086.

(j) *Details of the Fund's investment/ divestment in overseas VCUs was sought vide email dated February 17, 2025. On the basis of response of Noticee No. 1 vide email dated February 19, 2025, the summary of the investments and divestments is as under-*

Investments:

Sr. No.	Name of the Offshore VCU	Investment Date	Investment Amount (in Rs. Cr.)	Concentration % on the basis of cumulative investments
1	Virtual Power Systems Inc., USA	27-Oct-14	4.61	4.44%
2	Lensbricks Inc,, USA	30-Mar-15	3.14	7.47%
3	Lensbricks Inc,, USA	10-Aug-15	3.17	10.56%
4	Virtual Power Systems Inc., USA	07-Dec-15	3.35	13.75%
5	Uniken Inc., USA	25-Feb-16	1.03	14.78%
6	Lensbricks Inc,, USA	11-Mar-16	0.67	15.39%
7	Uniken Inc., USA	05-Apr-16	5.66	20.89%
8	Virtual Power Systems Inc., USA	06-Apr-16	1.07	21.87%
9	**Virtual Power Systems Inc., USA**	**05-Jan-17**	**3.81**	**25.60%**
10	Mad Street Den Inc., USA	01-Jan-18	0.04	25.62%

Divestments:

Sr. No.	Name of the Offshore VCU	Divestment Date	Divestment Amount (in Rs. Cr.) (at cost)	Concentration % on the basis of cumulative divestments
1	Mad Street Den Inc., USA	16-Jun-21	0.04	25.60%
2	**Lensbricks Inc, USA**	**26-Jul-23**	**7.01**	**18.84%**
3	Uniken Inc., USA	05-Sep-23	6.70	12.45%
4	Virtual Power Systems Inc., USA	23-Jan-24	12.92	0%

(k) *Thus, it can be seen from the above tables that the investments made by Noticee No. 1 had exceeded the permissible concentration limit of 25% on January 05, 2017 by investing in Virtual Power Systems Inc., USA and subsequently the concentration limit was brought below the permissible 25% with its divestments in overseas entity namely, Lensbrick Inc., USA on July 26, 2023. Thus, with the divestment by the AIF on July 26, 2023 in the said overseas entity reduced the total overseas investments of Noticee No. 1 below 25%. Therefore, it was alleged that Noticee No. 1 had breached the maximum investment limit of 25% of investible funds in overseas VCU for the period January 05, 2017 to July 26, 2023 and therefore, violated regulation 15(1)(a)*

of the AIF Regulations read with Circular No. CIR/IMD/DF/7/2015 dated October 01, 2015.

(l) Further, it was observed from the PPM Audit filing 2024 for the period 2023-2024 dated September 23, that the auditor had made the following remark - "The Scheme has not carried out valuation of its investment on half yearly basis for the half year ended on September 30, 2023." Noticee No. 1 made the following submission to the observation from the auditor - In this regard, we submit as follows – "The mandatory liquidation period of the Scheme had ended on August 13, 2023. The Scheme was in active discussion with potential investor to exit from its portfolio investments and it was not clear whether the Fund is obligated to carry out valuation of its portfolio investments after the extended term and mandatory liquidation period of the Scheme has already ended. The Scheme has carried out the valuation of its investments as of March 31, 2024."

(m) Regulation 23(2) of the AIF Regulations, inter alia, requires Category I AIFs to undertake valuation of their investments at least once in every six months. Therefore, it is alleged that Noticee No. 1 failed to comply with regulation 23(2) of the AIF Regulations by not undertaking the valuation of September 2023.

(n) Further, it was observed from the Compliance Test Report (CTR) submitted by Noticee No. 1 vide email dated January 30, 2025 that Noticee No. 2 did not intimate Noticee No. 7 about the overseas investment breach and that it had failed to undertake the valuation of its investments during the September 2024 period. Hence, it was not possible for the Trustee to either act on the said non-compliances nor intimate SEBI about the same. Therefore, it was alleged that Noticee No. 1 had violated regulation 28 of the AIF Regulations read with clause 4 of the SEBI Circular CIR/IMD/DF/14/2014 dated June 19, 2014 read with clause 15.2 of the Master Circular dated May 07, 2024.

(o) Noticee No. 1 responded on January 16, 2023 and stated that as per 'Term of the fund' clause in the PPM - Page 14, (submitted as part of annexures) the End date of the Term was August 13, 2019 and the Extended End Date of the Term was August 14, 2021. However, it was observed from its response dated January 16, 2023 that the fund had gone beyond the liquidation period of one year as required in regulation 29(5) read with regulation 29(7) of the AIF Regulations.

(p) It was further observed that regulation 20(5) of AIF Regulations provides that manager shall be responsible for every decision of the AIF, including ensuring that the decisions are, inter alia, in compliance with the provisions of AIF regulations, fund documents and applicable laws. Further, regulation 20(1) of AIF Regulations inter alia requires manager of an AIF to abide by the Code of Conduct as specified in Fourth Schedule. clause 2(a) of code of conduct, requires manager of an AIF to abide by the Act, Rules, Regulations, Guidelines and Circulars as applicable to Alternative Investment Funds at all times. Noticee No. 2 was appointed as the investment manager wherein it was responsible for day-to-day management and administration of the fund including

identifying investment opportunities and making investment decisions. Thus, it is alleged that Noticee No. 2 is also responsible for aforesaid violations by the AIF.

(q) As observed from the email dated April 28, 2023 from Noticee No. 1, Noticee Nos. 3 to 6 were the Key Managerial Personnels (KMPs) of the Noticee No. 2. Regulation 20(1) of AIF Regulations, inter alia, require Key Management Personnel of AIF and manager to abide by the Code of Conduct as specified in Fourth Schedule. Clause 2(a) of the Code of Conduct, inter alia, requires KMPs of AIF and manager to abide by the Act, Rules, Regulations, Guidelines and Circulars as applicable to Alternative Investment Funds at all times. AIF or manager incorporated as a corporate entity cannot function on their own. The KMPs of manager are involved in day to day operations of the AIF and the manager. Non-winding up of the fund, delayed filing of PPM audit reports, misreporting of data is also attributable to act or omission by KMPs along with manager. Hence, KMPs are also responsible for aforesaid violations by the AIF. Therefore, it was alleged that KMPs of the Noticee No. 2, viz., Noticee No. 3 to 6 have violated regulation 20(1) of AIF Regulations read with clause 2(a) of the Code of Conduct.

(r) It was observed from the email dated January 17, 2023 from Noticee No. 1 that Noticee No. 7 is the Trustee to the Noticee No. 1. Regulation 20(1) of AIF Regulations, inter alia, requires Trustee to abide by the Code of Conduct as specified in Fourth Schedule. Clause 3(b) of the Code of Conduct requires the trustee to exercise due diligence and independent professional judgment in carrying out their roles.

(s) On a query regarding compliance with AIF Regulations with respect to winding up of the fund, Noticee No. 7 vide its email dated August 28, 2023 submitted that Noticee No. 7 had constant discussions with Noticee No. 2 for closure of the Scheme through various discussions, con-calls and in-person meeting wherein guidance and instructions to the Noticee No. 2 were provided for winding-up of the Fund. Noticee No. 7 also provided plan of action (letter dated August 24, 2023) for winding up.

(t) Trustee is not involved in the day to day functioning of the AIF. However, the Trustee has a fiduciary duty towards investors of the AIF. Further, as per regulation 29(1)(b) the Trustee has the powers to wind up the Fund. It is noted that despite the efforts outlined in the reply of Noticee No. 7, the winding up/additional liquidation period was completed with a delay.

(u) Therefore, for failure in ensuring winding up the AIF scheme pursuant to completion of the tenure, it was alleged that Noticee No. 7 has violated regulation 29(1)(a) read with regulation 29(5) and regulation 29(7) of the AIF Regulations and regulation 20(1) of the AIF Regulations read with clause 3(b) of the code of conduct.

7. Upon receipt of the SCN, vide email dated December 03, 2025, Noticees authorised Khaitan & Co. as their Authorised Representative (AR) and also sought inspection of

documents which was granted. The AR further informed that Noticee No. 6 passed away on April 29, 2024 and forwarded a copy of the death certificate.

8. Vide email dated January 16, 2026, Noticees submitted their replies to the SCN, *inter alia,* stating as follows:

   (a) Pre-mature winding up of the Fund, solely to comply with black letter law would have in fact caused loss to investors, whose interests SEBI seeks to safeguard. the Noticees' actions were consistent with the object of the SEBI Act, which seeks to protect investor interests and ensure orderly market development. The allegation regarding non-winding up of the Scheme within the timelines envisaged under the PPM is academic. It was submitted that the principal allegation forming the foundation of the SCN namely, the alleged failure to wind up and liquidate the Scheme within the timelines contemplated under regulation 29 of the AIF Regulations requires to be examined in the correct factual and regulatory context in which the Scheme operated. Neither the Examination Report nor the SCN identifies any harm to investors, and the Noticees derived no monetary benefit, having ceased charging management fees since July 01, 2020. In the absence of mala fide intent, negligence, or deliberate violation, the Noticees' conduct reflects adherence to investor protection principles under the SEBI Act, demonstrating that the impugned actions were undertaken solely to safeguard investor interests.

   (b) The record before SEBI unequivocally demonstrates that the Noticees did not abandon or disregard the winding-up process. On the contrary, the Noticees were, at all material times, actively engaged in liquidation of the Scheme's portfolio, subject to commercial feasibility, market conditions, regulatory constraints, and investor interest.

   (c) As of the expiry of the mandatory liquidation period on August 13, 2022, the Scheme had six (6) Assets. Thereafter, during the extended period and pursuant to continuous engagement with SEBI, the Noticees successfully achieved exits from four (4) Residual Assets. These exits were completed between July 2023 and January 2024, and the proceeds thereof were distributed to investors in accordance with the distribution waterfall stipulated in the PPM, resulting in investors receiving aggregate returns exceeding their capital contributions. As on the date relevant to the SCN and Examination Report, only two (2) Residual Assets remained, the treatment of which has been transparently disclosed to SEBI, including the constraints relating to feasibility of exit, FEMA restrictions on in-specie distributions, and the absence of value-preserving exit options.

   (d) Regulation 29 is designed to ensure that AIFs do not continue indefinitely beyond their intended life and that investors are not left in a state of uncertainty. It is not intended to mandate forced or distressed liquidation of portfolio assets at any cost, nor to penalise investment managers who, acting bona fide and transparently, continue liquidation efforts for the sole purpose of maximising investor value in adverse market conditions.

(e) *In this regard, Noticees placed reliance on the Hon'ble SAT's order in Terrascope Ventures Limited v. SEBI (Date of decision 02.06.2022 Appeal No. 116 of 2021) whereby the Hon'ble Tribunal ruled that once utilisation of proceeds has been ratified by shareholders, acts done by a company become valid and authorised. Relevant extracts of the said order are reproduced hereunder for facility:*

> *"12. Once the utilization of the proceeds have been ratified by the shareholders of the Company, the acts and deeds done by the Company becomes valid and authorized and therefore there was no variation of the utilization of the proceeds. The show cause notice alleging variation in the utilization of the proceeds is, thus, erroneous.*
> *13. For the same reason, since the utilization of the proceeds have been ratified, there was no variance in the utilization of the proceeds and consequently there was no violation of Clause 43 of the Listing Agreement."*

(f) *Given the above, issuance of an adverse order in the matter assailing the consent given to the Scheme by its investors shall have the effect of scuttling investors' autonomy and their best interests, which SEBI is mandated to safeguard. Issuance of adverse directions against well-meaning and well-intended actions of the parties involved would in fact set a bad precedent for the market in general, deterring investment professionals from taking the right steps in the interest of investors while encouraging them to take the easy path, even if detrimental to investors' interest.*

(g) *Regulation 29(1)(a) of the AIF Regulations is Directory not Mandatory: It was submitted that as a matter of law, a penal intervention for alleged violation of regulation 29(1)(a) of the AIF Regulations for no reason other than the deadline being missed, sans regard to the underlying and the attendant facts and circumstances is untenable.*

> *"29. Winding Up*
> *(1) An Alternative Investment Fund set up as a trust shall be wound up,*
> *(a) when the tenure of the Alternative Investment Fund or all schemes launched by the Alternative Investment Fund, as mentioned in the placement memorandum is over.*

(h) *It was submitted that the deadline contained in the provision is itself adopted from a contract - whatever be the tenure in the AIF's placement memorandum. It is a settled principle that contracts are capable of amendment/novation by mutual consent of the parties. Such autonomy to determine the terms which govern the relationship between parties goes at the very heart of the law of contract. If the parties to a contract amend the term, without any further act or deed, the deadline referred to in regulation 29 too would stand extended.*

(i) *Therefore, being a directory provision, as regards consequence for contravention of the provision, penalty is not an inexorable outcome. Mitigating factors must be considered, reasonable circumstances that led to the deadline being missed must be*

factored in, and only then one could conclude if the matter of worthy of penalty. If the provision were "mandatory" the penalty would be a "no-fault liability", i.e., regardless of whether any fault or laxity is involved, the consequence of contravention would follow.

(j) Besides, if a mandatory provision is violated nothing further can be done to remedy it. In the case of regulation 29(1)(a) of the AIF Regulations, if the deadline is missed, the winding up process would have to continue. It is only that fresh investments cannot be made and indeed it is not even alleged that fresh investments have been made in the instant case.

(k) Being timeline-based provision, which timeline is adopted from the placement memorandum rather than a timeline stipulated by law, the regulation assumes a directory nature as opposed to a mandatory one.

(l) In this regard, reference was drawn to the decision of the Hon'ble Supreme Court of India in Pioneer Urban Land and Infrastructure Ltd. v. Union of India (2019) 8 SCC 416, whereby the said principle has been adopted in its application to the Insolvency and Bankruptcy Code, 2016 in the following words:

"…the timelines contained in the provisos to Sections 7(5), 9(5) and 10(4) of the Code are all directory and not mandatory. This is for the obvious reason that no consequence is provided if the periods so mentioned are exceeded. Though this decision is not in the context of the 14-day period provided by Section 7(4), we are of the view that this judgment would apply squarely on all fours so that the period of 14 days given to NCLT for decision under Section 7(4) would be directory. We are conscious of the fact that under Section 64(1) of the Code, NCLT President or the Chairperson of NCLAT may, after taking into account reasons by NCLT or NCLAT for exceeding the period mentioned by statute, extend the period of 14 days by a period not exceeding 10 days.

We may note that even this provision is directory, in that no consequence is provided either if the period is not extended, or after the extension expires. This is also for the good reason that an act of the court cannot harm the litigant before it."

(m) The scope of the word 'shall' is thoroughly adjudicated upon in the case of Salem Advocate Bar Association, Tamil Nadu v. Union of India Salem Advocate Bar Assn. (II) v. Union of India, (2005) 6 SCC 344. The Hon'ble Supreme Court of India interpreted Order VIII Rule 1 of Code of Civil Procedure. For the sake of convenience Order VIII R 1 is quoted below:

"ORDER VIII

[Rule 1. Written Statement.-The Defendant shall, within thirty days from the date of service of summons on him, present a written statement of his defence:

Provided that where the defendant fails to file the written statement within the said period of thirty days, he shall be allowed to file the same on such other day, as may be specified by the Court, for reasons to be recorded in writing, but which shall not be later than ninety days from the date of service of summons…]"

(n) The main point of contention is whether 'shall' in "which shall not be later than 90 days" is mandatory or directory in nature. The Hon'ble Apex Court held as follows:

> *"20. The use of the word 'shall' in Order VIII Rule 1 by itself is not conclusive to determine whether the provision is mandatory or directory. We have to ascertain the object which is required to be served by this provision and its design and context in which it is enacted. The use of the word 'shall' is ordinarily indicative of mandatory nature of the provision but having regard to the context in which it is used or having regard to the intention of the legislation, the same can be construed as directory. The rule in question has to advance the cause of justice and not to defeat it. The rules of procedure are made to advance the cause of justice and not to defeat it. Construction of the rule or procedure which promotes justice and prevents miscarriage has to be preferred. The rules or procedure are hand-maid of justice and not its mistress. In the present context, the strict interpretation would defeat justice."*

(o) In view of the aforesaid, it was submitted that regulation 29(1)(a) of the AIF Regulations is directory in nature. In the instant matter, investors have consented to extend the tenure of the Fund. Therefore, the very contract from which the provision derives the deadline has amended the deadline and therefore, the requirement under regulation 29(1)(a) of the AIF Regulations stood changed.

(p) In such circumstances, issuance of any adverse direction against the Noticees would tantamount to assailing the consent given to the Scheme by its investors. It shall further have the effect of scuttling investors' autonomy and their best interests, which SEBI is mandated to safeguard.

(q) The principles of lex non cogit ad impossibilia and impotentia excusat legem is squarely applicable to the present matter: It is respectfully submitted that the delay in winding up the Scheme was occasioned by circumstances beyond the control of the Noticees, making strict compliance with the timelines envisaged under the PPM impossible. In this regard, reliance was place on the decision of the Hon'ble Supreme Court of India in Raj Kumar Dey v. Tarapada Dey, (1987) 4 SCC 398 wherein the Hon'ble Apex Court opined on the well established legal principles of lex non cogit ad impossibilia and impotentia excusat legem which mean that the law does not compel the performance of an impossibility which is squarely apply to the facts of the present case.

(r) Without Prejudice, it was submitted that the allegation of non-winding up of the Scheme cannot be examined in isolation from the subsequent regulatory framework expressly introduced by SEBI itself through the Securities and Exchange Board of

India (Alternative Investment Funds) (Second Amendment) Regulations, 2024 and the circulars dated April 26, 2024 and July 09, 2024. These measures represent that SEBI has acknowledged that, in practice, several AIF schemes were unable to liquidate their investments within the originally prescribed timelines due to lack of liquidity and market constraints, and that a rigid enforcement of regulation 29, without flexibility, would operate to the detriment of investors.

(s) The circular dated July 09, 2024 expressly recognises that unliquidated investments may remain unsold "due to lack of liquidity" and accordingly provides structured mechanisms for (i) availing an additional liquidation period and (ii) entering into a dissolution period. The very premise of this circular is that non-liquidation within the originally contemplated timelines is not per se indicative of misconduct or default, but rather a commercial reality.

(t) It is pertinent to note that the continuation of the Scheme beyond the stipulated timelines yielded no benefit whatsoever to the Noticees. The investment manager had ceased charging management fees well before the expiry of the Scheme's term and derived no economic advantage from the extended liquidation period. In stark contrast, investors ultimately realised substantially higher returns than would have been possible had the Noticees resorted to premature liquidation merely to meet a regulatory deadline.

(u) Delay in quarterly reporting (Quarter ended March 2023) is isolated, minimal, and purely procedural: The allegation that the Fund failed to ensure timely submission of the quarterly report for the quarter ended March 2023, resulting in a delay of eight (8) days, is not disputed as a matter of fact. However, it was submitted that this allegation, even if taken at its highest, discloses nothing more than a minor, isolated, and purely procedural lapse, wholly insufficient to warrant invocation of penal jurisdiction under the SEBI Act.

(v) It is of pertinent to note that the delayed filing caused no prejudice whatsoever to investors, the market, or SEBI's supervisory functions. The SCN does not allege that any material information was withheld, misstated, or rendered stale by reason of the eight day delay. The report was ultimately filed and available to SEBI in its entirety, and the delay did not result in any informational asymmetry.

(w) The quarter ended March 2023 coincided with a period of heightened supervisory engagement between the Fund and SEBI. In January 2023, SEBI sought extensive scheme level information regarding tenure, extensions, liquidation status, and investor consents (email dated January 11, 2023), to which the Fund furnished comprehensive disclosures.

(x) This was followed by further correspondence in February and March 2023 relating to overseas investment exposure, culminating in SEBI's email dated March 29, 2023 and the Fund's detailed same day response addressing the computation of investible corpus and foreign exchange remittances. During this period, the Fund was engaged

in furnishing voluminous data and explanations on a priority basis. In this factual backdrop, the delay of eight (8) days in filing the quarterly report for the quarter ended March 2023 was isolated, minimal, and does not evidence any lack of diligence or disregard of regulatory obligations.

(y) Overseas Investment Exceeding 25% of Investible Funds is founded on a mechanical computation divorced from economic reality and contemporaneous disclosures: The allegation that the Scheme breached the prescribed limit of 25% of investible funds in respect of overseas investments proceeds on a static and mechanical comparison of figures, without due regard to the manner in which investible corpus is computed under the AIF Regulations, the timing of investments, the accounting treatment mandated under Indian GAAP, and the material exogenous factors that affected the Scheme's cost structure over time. When examined holistically and in the proper factual context, the alleged breach is revealed to be marginal, technical, fully disclosed, and devoid of any element of wilfulness or concealment.

(z) At the outset, it was submitted that the aggregate foreign exchange remittance made by the Scheme towards offshore venture capital undertakings was INR 26.59 crore, and not INR 26.66 crore as reflected in the gross accounting figure referred to in the SCN. This distinction was expressly brought to SEBI's attention in the Fund's contemporaneous response dated March 29, 2023.

(aa) The apparent difference arose on account of two clearly identifiable components which did not involve any foreign exchange outflow, namely: (a) professional fees amounting to INR 3,96,970, which were capitalised as part of investment cost strictly in accordance with Indian GAAP, notwithstanding that no corresponding remittance was made outside India; and (b) equity issued by a portfolio company in lieu of accrued interest of INR 3,12,064 (USD 4,541) on convertible instruments during FY 2018, which similarly did not involve any foreign exchange remittance. These aspects were fully disclosed to SEBI at the first instance and were not disputed as matters of fact.

(bb) It was further submitted that the computation of the investible corpus was carried out in accordance with the AIF Regulations based on estimated scheme expenses up to the intended end of the Scheme's term on August 13, 2019, resulting in an investible corpus of approximately INR 106.26 crore as on that date. At the time the overseas investments were made predominantly during FY 2015-2016 the Scheme was within the prescribed 25% limit, based on the then prevailing estimates and assumptions.

(cc) The marginal exceedance subsequently observed was not the result of any additional overseas investment decisions but arose due to a contraction of the investible corpus over time, attributable to factors beyond the anticipation or control of the investment manager. Most notably, the transition to the GST regime in July 2017, which increased the indirect tax rate on services from 15% to 18%, resulted in a material and unforeseen increase in fund operating expenses. This increase alone impacted the cost structure by approximately 3%, at a time when the bulk of overseas investments had already been completed.

(dd) *In addition, certain third party costs, including valuation fees and compliance related expenses, were higher than originally forecast. As a result of these developments, the investible corpus reduced from INR 106.26 crore to approximately INR 104.07 crore over the ensuing years. The alleged overseas exposure of 25.62%, therefore, represents a result of later adjustments to the calculation, not because of any intentional increase in overseas investments.*

(ee) *It is material to note that the Scheme did not increase its overseas exposure after the issue was raised. On the contrary, through a series of divestments, most notably the exit from Lensbricks Inc., USA on July 26, 2023, the overseas investment exposure was brought below the 25% threshold, thereby fully rectifying the alleged breach. The overseas exposure thereafter continued to reduce further through subsequent exits.*

(ff) *Further, the SCN does not allege, nor does the record disclose, that the alleged marginal overseas exposure resulted in any unfair advantage to the Noticees, any loss to investors, or any distortion of the securities market. The overseas investments were part of the Scheme's disclosed investment strategy, were undertaken years prior to the alleged breach period, and ultimately contributed to investor returns. In such circumstances, the invocation of penal provisions for a marginal, technical, and subsequently cured deviation would be wholly disproportionate.*

(gg) *Non Undertaking of Valuation for the Half-Year Ended September 30, 2023 arises from a bona fide interpretational issue during a regulatory interregnum: The allegation that the Fund failed to undertake valuation of its investments for the half-year ended September 30, 2023, purportedly in violation of regulation 23(2) of the AIF Regulations, must be examined in the specific factual and regulatory context prevailing at that time. The alleged lapse did not arise from neglect or disregard of SEBI norms, but from a bona fide and reasonable understanding of the regulatory framework during a period when the Scheme had already crossed its permitted tenure and mandatory liquidation period.*

(hh) *As disclosed contemporaneously to SEBI, the original tenure of the Scheme expired on August 13, 2019, the two extensions permitted under the PPM concluded on August 13, 2021, and the mandatory liquidation period under regulation 29(7) ended on August 12, 2022. By September 30, 2023, the Scheme had therefore exceeded not only its original and extended tenure, but also the mandatory liquidation period, and was not carrying on any investment activity whatsoever, other than actively seeking buyers for the remaining unliquidated investments.*

(ii) *During FY 2023-24, and particularly around the half-year ended September 2023, the Scheme was not making any fresh investments, or undertaking any portfolio re-balancing. The sole activity of the Scheme during this phase was to pursue exits from the remaining portfolio investments. This position was expressly communicated to SEBI in the correspondence exchanged in January 2025 and earlier, and has not been disputed.*

(jj) In this factual backdrop, the investment manager formed a bona fide view that the periodic valuation requirement under regulation 23(2), which is designed to provide investors with an updated assessment of portfolio value during the active life of a Scheme, did not extend to a Scheme that had already crossed its permissible tenure and mandatory liquidation period and was merely awaiting exits.

(kk) It is pertinent to note that SEBI itself subsequently recognised the practical challenges and situations not expressly contemplated under the earlier regulatory framework by notifying the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2024, followed by circulars dated April 26, 2024 and July 9, 2024, which introduced a statutory framework for schemes that had crossed liquidation timelines, including modalities for availing additional liquidation periods and entering into dissolution periods.

(ll) Pursuant to the grant of an additional liquidation period by SEBI up to April 24, 2025, the Fund resumed compliance with half-yearly valuation requirements, and valuation was duly undertaken for the period ended September 30, 2024. This conduct unequivocally demonstrates that the earlier non-undertaking of valuation was not deliberate or defiant, but stemmed from a bona fide interpretational position which stood clarified once SEBI formally extended the Scheme's tenure under the amended framework.

(mm) Non-Reporting of alleged overseas investment breach and the failure to undertake valuation of investments for the period of September 2023 in the CTR for FY 2023-24 proceeds on an overly technical reading divorced from the factual context: Insofar as the alleged overseas investment breach is concerned, this was a historical matter, which had arisen years earlier, was expressly raised by SEBI in March 2023, and was addressed by the Fund through a detailed explanation on March 29, 2023 setting out the accounting treatment, actual foreign exchange remittances, GST impact, and movement in the investible corpus. The Fund did not increase its overseas exposure thereafter and, in fact, rectified the marginal exceedance through divestments by July 2023, well before the end of FY 2023-24.

(nn) In these circumstances, the overseas investment issue was neither live nor continuing as on the close of FY 2023-24. It had been fully disclosed to SEBI, examined by SEBI, and stood corrected. The non-inclusion of this historical and already-rectified issue in the CTR cannot, therefore, be characterised as suppression or misreporting, particularly when SEBI was already seized of the matter and had engaged with the Fund extensively on the same.

(oo) With respect to the valuation as of September 30, 2023, it was reiterated that the non-undertaking of valuation arose from a bona fide interpretational position during a period when the Scheme had crossed its original tenure, permitted extensions, and mandatory liquidation period, and was not carrying on any investment activity other

than pursuing exits. This position was explained to SEBI when queried and was never concealed.

(pp) The SCN does not allege that the CTR omissions resulted in any prejudice to investors, any unfair advantage to the Noticees, or any impairment of SEBI's supervisory functions. The Trustee was independently aware of the Scheme's liquidation status, and SEBI was at all times fully informed of the relevant facts. In the absence of any tangible prejudice or adverse consequence, penal action for a CTR-related omission would be disproportionate and excessive.

(qq) No Penal Directions Ought to Be Passed Against Noticee Nos. 3 to 6 in the Present Proceedings: At the outset, it is respectfully submitted that the Show Cause Notice proceeds on a fundamental legal infirmity in so far as it seeks to array and charge Noticee Nos. 3 to 6, being individuals designated as Key Management Personnel of the Investment Manager, without disclosing any lawful basis for fastening personal penal liability upon them. The initiation and continuation of adjudication proceedings against the said Noticees is legally unsustainable, procedurally infirm, and contrary to the settled principles governing imposition of individual liability under the SEBI Act and the AIF Regulations.

(rr) It is a matter of record that Mr Nihar Ranjan, arrayed as Noticee No. 6, passed away on June 22, 2024, i.e., prior to the issuance of the Show Cause Notice dated November 21, 2025. It is a settled position that proceedings of a penal nature cannot be initiated or continued against a deceased individual. Accordingly, the proceedings insofar as they relate to Noticee No. 6 are void ab initio and liable to be dropped in limine.

(ss) Insofar as Noticee Nos. 3 to 5 are concerned, it is submitted that they held limited supervisory and managerial roles, with responsibilities confined to overseeing specific operational aspects as entrusted to them in the ordinary course of their functions. The said individuals were never involved in sole or independent decision-making in relation to the matters forming subject of the SCN.

(tt) All material decisions relating to the tenure of the Scheme, liquidation strategy, valuation approach during the terminal phase, overseas investments, and regulatory disclosures were institutional decisions, guided and approved by the investment committee and the governing bodies of the Fund and the investment manager. The role of Noticee Nos. 3 to 5 was necessarily circumscribed by their designated functions, and any actions taken by them were carried out with due care, in good faith, and in furtherance of investor interest.

(uu) *It is significant to note that the SCN in the present matter does not invoke section 27 of the SEBI Act, which is the sole statutory provision enabling fastening of vicarious liability on officers or persons in charge of a company or firm. For ease of reference, section 27 of the SEBI Act is reproduced below for facility:*

"Contravention by companies.

27. (1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

(2) Notwithstanding anything contained in sub-section (1), where an contravention under this Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

Explanation : For the purposes of this section,-
"company" means any body corporate and includes a firm or other association of individuals; and
"director", in relation to a firm, means a partner in the firm."

(vv) *In similar vein, it was submitted that SEBI in its Adjudication Order in the matter of IQ Startup Fund Category I AIF dated December 28, 2022 whilst absolving the individual noticees associated with the AIF therein observed as follows:*

"12. In the instant matter the partners of Noticee No. 1 and the directors of trustee i.e. Noticees No. 2 to 4 and 6 to 8 have also been charged for the violations of AIF Regulations and said SEBI circular. In this regard, the Noticees have contended that SCN does not contain any specific allegation/ findings against them to establish that they have failed to comply with the AIF Regulations or any direction issued by SEBI in this connection. Further, the SCN does not contain any reasons, why the individual Noticees have been arrayed as parties to the instant adjudication proceedings. I have perused the material before me and the contentions raised by the Noticees and I note that, it is true that nothing specific about the roles and responsibilities of partners of Noticee No. 1 and the directors of trustee w.r.t. alleged violations has been mentioned. I further note that, in terms of Regulation 2(q) of the AIF Regulations, a "manager" means any person or entity who is appointed by the Alternative Investment Fund to manage its investments. Since, Noticee No. 1 viz. India Quotient Advisers LLP, who is manager of the AIF-IQ and Noticee No. 5, who is trustee of the AIF-IQ has already been charged for the aforementioned violations of AIF Regulations and said SEBI circulars, therefore, in my opinion until and unless specific role of partners of

Noticee No. 1 and the directors of trustee i.e. Noticees No. 2 to 4 and 6 to 8 is brought out in the SCN, it would not be appropriate to fastened them with the charge of non-compliance of the provisions of the AIF Regulations and said SEBI circulars. In view of the above, I found merit in the contentions of the Noticees No. 2 to 4 and 6 to 8 and thus, I absolve them from the charge of violations of aforementioned AIF Regulations and said SEBI circulars."

(ww) It is a matter of record that the SCN does not contain any specific allegation / findings against each of the individual Noticees to establish that they have failed to comply with the AIF Regulations, or any direction issued by SEBI in this connection. The SCN also does not contain any reasons why the individual Noticees have been arrayed as parties to the instant adjudication proceedings. It was submitted that penalty under section 15EA of the SEBI Act can only be imposed on a person if such person fails to comply with the AIF Regulations or the directions issued by SEBI. However, as it is not even SEBI's case that the individual Noticees had themselves failed comply with any of the aforesaid, no penalty can be imposed on them as a consequence under section 15EA or any other provision of the SEBI Act. Pertinently, even the SCN issued by SEBI in the matter does not invoke section 27 of the SEBI Act (as reproduced hereinabove) to arraign Noticee Nos. 3-5. In light of the above, the SCN in the present matter be disposed of without finding any fault against the Noticees.

(xx) *Without Prejudice to the above, the alleged violations are at best merely technical and venial in nature which do not merit imposition of penalty: Without prejudice to the submissions, it was submitted that the SCN seeks to penalize the Noticees for technical violations that have not impacted the securities market or the investors of the Scheme. In light of the fact that alleged non-compliances were procedural irregularities at best, which have not affected the interests of the investors, the alleged violations at best are technical or venial breach, no gain has been made by the Noticees, no loss has been caused to investors as a consequence of the same, and the Noticees had no mala fide intent, the facts of the matter do not merit imposition of penalty. In this regard, reliance is placed on Ld. WTM's Order In the matter of acquisition of shares of Refex Refrigerants Limited dated February 02, 2017, whereby considering the aforesaid factors, the Ld. WTM disposed the proceedings without any adverse directions against the notice therein observing as under:*

"13. On an overall assessment of the facts and circumstances of the case, I am inclined to arrive at the following conclusions:

- *i. that there is a violation of regulation 11(2) of the Takeover regulations, 1997 by the Noticee;*
- *ii. that the violation is un-intentional and not for consolidation*
- *iii. that the violation is technical and venial in nature; and*

14. In view of the above, in exercise of powers conferred upon me under section 11B of the SEBI Act, 1992, I do not find this to be a fit case warranting a direction as proposed in the show cause notice dated February 26, 2016 and the show cause notice stands disposed accordingly."

(yy) *In similar vein, it was submitted that the Hon'ble SAT in Doogar and Associates v. SEBI (Appeal No. 20 of 2002) observed as follows in respect of imposition of penalty:*

> *"… Penalty will not also be imposed merely because it is lawful to do so. Whether penalty should be imposed for failure to perform a statutory obligation is a matter of discretion of the authority to be exercised judicially and on a consideration of all the relevant circumstances. Even if a minimum penalty is prescribed the authority competent to impose the penalty will be justified in refusing to impose penalty, when there is a technical or venial breach of the provisions of the Act or where the breach flows from a bona fide belief that the offender is not liable to act in the manner prescribed by the statute…"*

(zz) In light of the above, it was submitted that alleged lapse by the Noticees was purely unintentional and borne out of reasons beyond the control of the Noticees. The facts and evidence on record make it abundantly clear that every action of the Noticees, and especially the impugned actions considered in the SCN, have in fact served the interest of investors in the face of tumultuous market conditions. Being so, the Noticees deserve consideration from SEBI for their well-meaning actions instead of penal consequences and any alleged non-compliance which did not result in any undue harm to investors or gain to the Noticees ought to be looked at with leniency.

9. Noticee No. 7 vide email dated January 16, 2026, filed similar reply to the SCN and also submitted the following:

(a) *As a Trustee to the Fund, Noticee No. 7 has acted in good faith and discharged its duties and obligations as set out under the PPM, Trust Deed, Contribution Agreement and Investment Management Agreement ("**Fund Documents"**) as well as the AIF Regulations. It is impressed that Noticee No. 7 , as an independent third-party trustee has undertaken independent oversight over the AIF (without involvement of any conflict of interest) and also diligently discharged the duties of a trustee, as contemplated under the scheme of the AIF Regulations as well as the Indian Trusts Act, 1882.*

(b) The AIF Regulations, reinforced by the Fund Documents, clearly delineate the distinct roles of the trustee and the IM. The IM is vested with the exclusive authority to make all commercial decisions concerning the Fund's investments, divestments, and distributions, as stipulated in the PPM. Conversely, Noticee No. 7's powers as trustee are circumscribed by the Trust Deed and the Investment Management Agreement. As Noticee No. 7 had repeatedly highlighted in its representations to SEBI, a trustee lacks the unilateral power to force the liquidation of assets. As Trustee and as a fiduciary, Noticee No. 7 has ensured that the interest of the investors in the Fund is safeguarded at all times. Therefore, Noticee No. 7 has acted entirely within its defined role, which is one of oversight rather than executive control over the Fund's divestment strategy.

(c) In the instant case as well, as per the provisions of the Investment Management Agreement executed between the Trustee and the IM, the IM has full discretion to perform all acts, deeds, things, desirable or expedient in the management of the affairs

of the AIF and to best expedite the carrying out of its objects as it deems fit, so long as the actions were within the powers of the IM and in conformity with the AIF Regulations and objectives of the AIF. As per the Fund Documents, the powers and duties of the Trustee are limited solely to the Fund Documents and comprehensive reading of the same amply clarifies that the trustee has absolutely no influence on the day-to-day commercial decisions and/or management of the fund or the investments made by the fund manager. It is also significant that unlike the SEBI (Mutual Funds) Regulations, 1996 ("MF Regulations") which contain specific provisions spelling out the rights and obligations of a trustee, the AIF Regulations contained no such provision specifically enlisting the powers as well as obligations of the trustee to an AIF. Given these limitations, it is difficult for a trustee to step into the shoes of an IM, and wind-up the Fund unilaterally, after fulfilling the requisite formalities."

10. Vide Notice of hearing dated February 13, 2026, Noticees were granted opportunity of hearing on March 04, 2026 which was subsequently conducted on April 21, 2026. The Authorised Representatives of the Noticee, viz., Mr. Tomu Francis, Partner, Khaitan & Co. assisted by Ms. Zarnaab Aswad, Senior Associate Khaitan & Co., Mr. Apoorva Upadhyay, Senior Associate, Khaitan and Co. and Mr. Aayush Pandey, Associate, Khaitan and Co. appeared for the hearing and reiterated the submissions made vide replies dated January 16, 2026.

11. Vide email dated December 11, 2025, Noticees filed further written submissions to the SCN and reiterated the submissions made vide replies dated January 16,2026.

CONSIDERATION OF ISSUES AND FINDINGS

12. The issues that arise for consideration in the instant matter are:

Issue No. I	Whether Noticee No. 1 failed to wind up the scheme in terms of the PPM and AIF Regulations and thereby violated regulation 29(1)(a) read with regulation 29(5) and regulation 29(7) of AIF Regulations?
Issue No. II	Whether Noticee No. 1 failed to file the quarterly report on time and thereby violated regulation 28 of AIF Regulations read with Circular SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/549 dated April 07, 2021 and Circular CIR/IMD/DF/10/2013 dated July 29, 2013?

Issue No. III	Whether Noticee No. 1 had breached the maximum investment limit of 25% of investible funds in overseas VCU for the period January 05, 2017 to July 26, 2023 and thereby, violated regulation 15(1)(a) of the AIF Regulations read with Circular No. CIR/IMD/DF/7/2015 dated October 01, 2015?
Issue No. IV	Whether Noticee No. 1 failed to undertake valuation of its investments at least once in every six months (September 2023) and thereby violated regulation 23(2) of the AIF Regulations?
Issue No. V	Whether Noticee No. 1 failed to intimate Noticee No. 7 about the overseas investment breach and failed to undertake the valuation of its investments during the September 2024 period and thereby Noticee No. 1 violated regulation 28 of the AIF Regulations read with clause 4 of the SEBI Circular CIR/IMD/DF/14/2014 dated June 19, 2014 and clause 15.2 of the Master Circular dated May 07, 2024?
Issue No. VI	Whether Noticee No. 2 failed in its duties as investment manager and thereby violated the provisions as violated by Noticee No. 1?
Issue No. VII	Whether Noticee Nos. 3 to 5, being directors of Noticee No. 1 have violated regulation 20(1) of AIF Regulations read with clause 2(a) of the Code of Conduct?
Issue No. VIII	Whether Noticee No. 7 failed to ensure winding up the AIF scheme pursuant to completion of the tenure and thereby violated regulation 29(1)(a) read with regulation 29(5) and regulation 29(7) of the AIF Regulations and regulation 20(1) of the AIF Regulations read with clause 3(b) of the code of conduct?
Issue No. IX	If yes, whether the failure, on the part of the Noticees would attract monetary penalty under section 15EA of SEBI Act?
Issue No. X	If yes, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in section 15J of SEBI Act?

13. Before proceeding further, I would like to refer to the relevant provisions of the AIF Regulations and the circular thereof:

"*15.* *(1) Investments by all categories of Alternative Investment Funds shall be subject to the following conditions:-*

(a) Alternative Investment Fund may invest in securities of companies incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and the Board from time to time;"

"General Obligations.

20(1) Alternative Investment Fund, key management personnel of the Alternative Investment Fund, trustee, trustee company, directors of the trustee company, designated partners or directors of the Alternative Investment Fund, as the case may be, managers and key management personnel of managers shall abide by the Code of Conduct as specified in the Fourth Schedule.

Explanation. – For the purpose of this sub-regulation, 'key management personnel' shall have the meaning as specified by the Board from time to time."

"Valuation.

23.*(2) Category I and Category II Alternative Investment Funds shall undertake valuation of their investments, atleast once in every six months, by an independent valuer appointed by the Alternative Investment Fund:*

Provided that such period may be enhanced to one year on approval of atleast seventy-five percent of the investors by value of their investment in the Alternative Investment Fund."

"Submission of reports to the Board.

28.*The Board may at any time call upon the Alternative Investment Fund to file such reports, as the Board may desire, with respect to the activities carried on by the Alternative Investment Fund."*

"Winding up.

29. *(1) An Alternative Investment Fund set up as a trust shall be wound up:*

(a) when the tenure of the Alternative Investment Fund or all schemes launched by the Alternative Investment Fund, as mentioned in the placement memorandum is over; or

(b) if it is the opinion of the trustees or the trustee company, as the case may be, that the Alternative Investment Fund be wound up in the interests of investors in the units; or

(c) if seventy five percent of the investors by value of their investment in the Alternative Investment Fund pass a resolution at a meeting of unitholders that the Alternative Investment Fund be wound up; or

(d) if the Board so directs in the interests of investors;

…..

(5) The trustees or trustee company or the Board of Directors or designated partners of the Alternative Investment Fund, as the case maybe, shall intimate the Board and investors of the circumstances leading to the winding up of the Alternative Investment Fund.

(6) On and from the date of intimation under sub-regulation (5) of regulation 29, no further investments shall be made on behalf of the Alternative Investment Fund so wound up.

(7) Within one year from the date of intimation under sub-regulation (5) of regulation 29, the assets shall be liquidated, and the proceeds accruing to investors in the Alternative Investment Fund shall be distributed to them after satisfying all liabilities."

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

"….
B. Overseas Investment by Alternative Investment Funds
….
v. Such investments shall not exceed 25% of the investible funds of the scheme of the AIF."

Master Circular dated May 07, 2024
"…
7.1.3 Such investments shall not exceed 25% of the investable funds of the scheme of the AIF."

"15.2. Compliance Test Report (CTR)

15.2.1.At end of financial year, the manager of an AIF shall prepare a compliance test report on compliance with AIF Regulations and circulars issued thereunder in the format as specified in the Annexure12.

15.2.2.The CTR shall be submitted within 30 days from the end of the financial year, to(i)the trustee and sponsor, in case the AIF is a trust;(ii)the sponsor, in case of AIF set up in the form other than a trust.

15.2.3.In case of any observations/comments on the CTR, the trustee/sponsor shall intimate the same to the manager within 30 days from the receipt of the CTR. Within 15 days from the date of receipt of such observations/comments, the manager shall make necessary changes in the CTR, as may be required, and submit its reply to the trustee/sponsor.

15.2.4.In case any violation of AIF Regulations or circulars issued thereunder is observed by the trustee/sponsor, the same shall be intimated to SEBI as soon as possible."

SEBI Circular No. CIR/IMD/DF/14/2014 dated June 19, 2014

"4. Compliance Test Report (CTR)

a. At end of financial year, the manager of an AIF shall prepare a compliance test report on compliance with AIF Regulations and circulars issued thereunder in the format as specified in the Annexure to this circular.

b. In case the AIF is a trust, the CTR shall be submitted to the trustee and sponsor within 30 days from the end of the financial year. In case of other AIFs, the CTR shall be submitted to the sponsor within 30 days from the end of the financial year.

c. In case of any observations/comments on the CTR, the trustee/sponsor shall intimate the same to the manager within 30 days from the receipt of the CTR. Within 15 days from the date of receipt of such observations/comments, the manager shall make necessary changes in the CTR, as may be required, and submit its reply to the trustee/sponsor.

d. In case any violation of AIF Regulations or circulars issued thereunder is observed by the trustee/sponsor, the same shall be intimated to SEBI as soon as possible."

2.Code of Conduct for the Managers of Alternative Investment Funds and key management personnel of Managers and Alternative Investment Funds

Every Manager of Alternative Investment Funds and key management personnel of the manager and Alternative Investment Funds shall:

(a)abide by the Act, Rules, Regulations, Guidelines and Circulars as applicable to Alternative Investment Funds at all times;

3.Code of Conduct for members of the Investment Committee, trustee, trustee company, directors of the trustee company, directors or designated partners of the Alternative Investment Fund, Members of the Investment Committee, trustee, trustee company, directors of the trustee company, directors or designated partners of the Alternative Investment Fund shall:

…
(b)ensure proper care and exercise due diligence and independent professional judgment in carrying out their roles;"

14. Before proceeding further in the matter on merit, I would like to note that vide email dated December 03, 2025, the AR of the Noticees informed that Noticee No. 6 has passed away and requested to drop the proceedings qua Noticee No. 6. A copy of the death certificate of the Noticee No. 6 bearing Registration No. 803162/B/D/2024/037802 dated June 25, 2024 was enclosed with the said email. Therefore, it would be in the fitness of things to decide as to whether on the death of the Noticee No. 6, the present adjudication proceedings against the Noticee No. 6 would continue. In this context, I note that in the matter of *Girijanandini Devi v. Bijendra Narain Choudhary*[1], Hon'ble Supreme Court held that in case of personal actions, i.e., the actions where the relief sought is personal to the deceased, the right to sue will not survive to or against the representatives and in such cases the maxim *actio personalis moritur cum persona* (personal action dies with the

[1] AIR 1967 SC 1124

death of the person) would apply. It is also relevant to refer to the decision of Hon'ble Securities Appellate Tribunal in *Chandravadan J. Dalal v. SEBI*[2] wherein it was held that: *"The appeal abates since the appellant during the pendency of the appeal died on 29th November 2004. The appeal accordingly abates. The penalty imposed on the original appellant being personal in nature also abates."*

15. In view of the foregoing, I am of the view that the instant adjudication proceedings against Noticee No. 6, Late Mr. Nihar Ranjan is liable to be abated without going into the merits of the case qua him. Therefore, now I proceed on the merits of the case with respect to other Noticees.

Issue No. I Whether Noticee No. 1 failed to wind up the scheme in terms of the PPM and AIF Regulations and thereby violated regulation 29(1)(a) read with regulation 29(5) and regulation 29(7) of AIF Regulations?

16. Before addressing the merits of the case, it is appropriate to deal with the following preliminary issues raised by the Noticees. Noticees submitted that initiation of adjudication proceedings against them is in deviation from SEBI's own internal policies on this subject, including the Enforcement Manual. In this regard, it is noted that the Enforcement Manual relied upon by the Noticees is an internal document which, *inter alia*, guides the officers of SEBI in selection of appropriate actions while giving ample discretion to competent authority to initiate suitable action in novel scenarios. Further, the said Enforcement Manual itself states that it has been prepared to guide officers of SEBI and is for internal use only. Any non-observance or deviation from this manual will not vitiate any quasi-judicial proceedings. Moreover, it is noted that the excerpts of the Enforcement Manual quoted by the Noticees in their reply is related to policy for taking administrative actions. However, in respect of Enforcement Actions, it is specified that "*Enforcement actions may be considered after satisfying the availability of sufficient evidence, considering the ingredients of the violations and the principles/precedents laid*

[2] Appeal No. 35 of 2004, Date of Order June 05, 2015

down in the orders of SEBI and SAT/ Courts". Thus, initiation of the extant adjudication proceedings do not suffer from any procedural infirmities, hence, the said contentions of the Noticees are misconceived and untenable.

17. Noticees further submitted that there is no allegation in the SCN concerning violation of any administrative actions taken by SEBI, based on which the adjudication proceedings had to be initiated. In this regard, it is noted that for initiation of adjudication proceedings, there is no prerequisite or requirement of any administrative actions as contended by the Noticees. Therefore, the contention of the Noticees is flawed and devoid of any merit.

18. Noticees also submitted that they acted in the interest of investors and obtained approval from the investors prior to extending the term of the Scheme, that neither Examination Report nor SCN have identified any instance of undue harm to investors, Noticee No. 1 had not charged any management fee and the alleged violations were not deliberate, mala fide or borne out of any negligence in operations. In this regard, it is noted that as per the regulatory framework prescribed by the AIF Regulations, a scheme of the AIF is mandatorily required to be wound up when the period of the scheme mentioned in the PPM is over. The tenure stipulated in the PPM is not a mere commercial arrangement between the investors and the Fund, but it is a condition provided under the AIF Regulations governing the lifecycle of the Scheme. Upon expiry of such tenure, the obligation to initiate winding up arises automatically and admits of no discretion. Any continuation beyond the stipulated period is ex facie contrary to the AIF Regulations.

19. Thus, the defence advanced by the Noticees that the extension of term of the Scheme was undertaken in the interest of investors and pursuant to approval of a super-majority of investors is misconceived and untenable. The disclosure of tenure in the PPM is a material and foundational representation forming the basis of investor participation and an extension of tenure of the Scheme beyond the term disclosed in the PPM, in contravention of the AIF Regulations, cannot be justified as being in investors' interest, that too without any appropriate explanation. It is a settled principle that parties cannot, by mutual agreement, validate an act that is ultra vires the governing statute. It is noted

that the regulatory compliance under securities law is not subject to waiver by the Fund/ investors, irrespective of the quantum of approval obtained/ granted. The plea that the continuation was in the interest of investors or with the approval of investors cannot override the express regulatory mandate. Acceptance of such a proposition would render the statutory requirement of a fixed tenure illusory and defeat the very framework of AIF Regulations. Thus, the attempt of the Noticees to justify the extension of term of the Scheme on the basis of investors consent is unsustainable.

20. Further, the contention that no management fees were charged and that no mala fide intent or investor prejudice has been demonstrated is equally irrelevant to the determination of contravention. The obligation to wind up the Scheme upon expiry of its tenure specified in PPM is a mandatory regulatory requirement and the breach occurred upon failure to comply. Bona fide conduct of the Noticees, non-charging of management fees and absence of investor prejudice, if any, may, at best, be considered as a mitigating factor in the determination of penalty, however, they do not obliterate or cure the underlying violation. Therefore, the continuation of the Scheme beyond the tenure specified in the PPM constitutes a clear and admitted breach of the applicable AIF Regulations.

21. Noticees further submitted that the cause of action in the instant matter is stale as violation have already been rectified and nothing remains as on date of this reply. In this regard, it is observed, as noted hereinabove, that the requirement to wind up the Scheme upon expiry of its tenure, as specified in the PPM, is an explicit and mandatory obligation under the AIF Regulations. Such regulatory mandate requires strict, timely and appropriate compliance. The failure of the Noticees to initiate and complete the winding up process within the prescribed timeline constitutes a completed contravention, which continued during the examination period. The said non-compliance cannot be retrospectively cured merely on account of subsequent winding up or exit from investments. Subsequent exit from the said investments does not efface the violation nor absolve the Noticees of the regulatory consequences arising from the breach. The statutory obligation to wind up the

Scheme upon completion of its tenure cannot be substituted or deemed satisfied by delayed compliance. Accordingly, the contention of the Noticees that the cause of action has become stale is devoid of merit and liable to be rejected.

22. In view of the above, it is noted that the preliminary issues raised by the Noticees hold no merit. Having dealt with the preliminary issues, I shall now proceed to address the key issues that arise for consideration.

23. It is alleged in the SCN that Noticee No. 1 failed to wind up the scheme in terms of the PPM and AIF Regulations during the mandatory winding up of scheme on August 14, 2019 and the extended term ended on August 14, 2021. Thus, it was required to be liquidated and distribute proceeds by August 14, 2022. Since, it failed to wind up, Noticee No. 1 availed the fresh liquidation time under SEBI circulars dated April 26, 2024 and July 09, 2024. However, the scheme was not wound up even during such fresh liquidation period which ended on April 24, 2025.

24. In response to above allegation, Noticee No. 1 submitted that pre-mature winding up of the Scheme, solely to comply with black letter law would have caused loss to the investors. In this regard, the Noticee No. 1 has failed to provide any material particulars, supporting evidence, or cogent explanation to substantiate how such timely winding up would have resulted in losses to the investors. Mere assertion, unsupported by factual or documentary evidence, cannot be accepted as a valid justification for non-compliance with a mandatory regulatory requirement. In the absence of any demonstrated causal linkage between timely winding up and purported investor loss, the contention of the Noticee No. 1 remains unsubstantiated and is liable to be rejected.

25. Further, the contention of the Noticee No. 1 that its action of not winding up the Scheme upon completion of its tenure was consistent with the objects of the SEBI Act, namely protection of investors' interest and orderly development of the securities market, is untenable. It is noted that the objectives of the SEBI Act are achieved through adherence to the statutory and regulatory framework prescribed thereunder. Compliance with

mandatory regulatory requirements cannot be substituted by a subjective flawed assessment of perceived investor benefit. Any action taken in contravention to the explicit regulatory provisions cannot be justified on the ground that it was purportedly undertaken in the interest of investors. Acceptance of such an argument would undermine regulatory certainty and defeat the very framework designed to safeguard interest of the investors and ensure orderly market conduct. Accordingly, the said contention of Noticee No. 1 is untenable.

26. Noticee No. 1 further submitted that it acted transparently and in the best interest of investors by their collective consent before extending the Scheme's tenure. In support of their contention, Noticee No. 1 placed reliance on the observations of the Hon'ble SAT in the matter of *Terrascope Ventures Limited v. SEBI* ("Terrascope") that once utilisation of proceeds has been ratified by shareholders, acts done by a company become valid and authorised. In this regard, it is noted the matter of Terrascope pertained to ratification of variance in utilisation of preferential issue proceeds by shareholders, however, the instant matter is related to failure of winding up of the Scheme upon expiry of its tenure and extension of tenure of the Scheme beyond the terms specified in the PPM by securing majority consent of investors, which is in non-compliance to the provisions of AIF Regulations. Thus, facts and issues involved in the matter of Terrascope are therefore clearly distinguishable from those in the instant proceedings. The obligation to wind up the Scheme upon completion of its tenure is regulatory in character and cannot be waived, validated or cured through investor consent or ratification, since regulatory mandates cannot be overridden by the investors consent. It is further noted that Hon'ble Supreme Court, vide its order dated March 17, 2026, set aside the order of Hon'ble SAT in the matter of Terrascope and observed that "*The matter cannot be viewed from the prism of the shareholders alone. When matter involves public interest it cannot be deemed as private waivable right. What applied to waiver will also apply to ratification. No condonation or ratification on aspects opposed to public policy can be made, as it will seriously jeopardize public interest."* Therefore, I am of the opinion that the contravention occurred upon failure to wind up the Scheme within the prescribed timeline on alleged

collective consent of investors and delayed winding up of the Scheme does not efface the breach. Therefore, I find the reliance of Noticee No. 1 on the aforesaid SAT order misplaced.

27. Further, Noticee No. 1 argued that regulation 29(1)(a) of the AIF Regulations is merely directory not mandatory in nature. Therefore, being a directory provision, as regards consequence for contravention of the provision, penalty is not an inexorable outcome. Noticee No. 1 also contended that being timeline-based provision, where timeline is adopted from the PPM rather than a timeline stipulated by law, the regulation assumes a directory nature as opposed to a mandatory one. In support of its contentions, Noticee No. 1 relied on the observations of the Hon'ble Supreme Court in the matter of *Pioneer Urban Land and Infrastructure Ltd. v. Union of India* and *Salem Advocate Bar Association, Tamil Nadu v. Union of India Salem Advocate Bar Assn. (II) v. Union of India*. In this regard, it is noted that the reliance placed by the Noticee No. 1 on said observations is irrelevant as those decisions pertain to the insolvency resolution and efficiency of the judicial process. In the matter of Salem Advocate Bar Association, it was held that *"The use of the word 'shall' is ordinarily indicative of mandatory nature of the provision but having regard to the context in which it is used or having regard to the intention of the legislation, the same can be construed as directory. …….. the mandatory or directory nature of Order VIII Rule 1 shall have to be determined by having regard to the object sought to be achieved by the amendment. It is, thus, necessary to find out the intention of the legislature. …….. In Raza Buland Sugar Co. Ltd., Rampur v. The Municipal Board, Rampur [AIR 1965 SC 895], a Constitution Bench of this Court held that the question whether a particular provision is mandatory or directory cannot be resolved by laying down any general rule and it would depend upon the facts of each case and for that purpose the object of the statute in making out the provision is the determining factor. The purpose for which the provision has been made and its nature, the intention of the legislature in making the provision, the serious general inconvenience or injustice to persons resulting from whether the provision is read one way or the other, the relation of the particular provision to other provisions dealing with the same subject and other*

considerations which may arise on the facts of a particular case including the language of the provision, have all to be taken into account in arriving at the conclusion whether a particular provision is mandatory or directory."

28. In view thereof, it is noted that regulation 29(1)(a) of the AIF Regulations clearly mandates that *a scheme of a venture capital fund set up as a trust shall be wound up when the period of the scheme, if any, mentioned in the placement memorandum is over.* The language, object and intent of the regulatory framework make it clear that the requirement to wind up the Scheme upon expiry of its stipulated tenure is a mandatory obligation intended to ensure market discipline and the timely return of capital to the investors. The use of imperative language in the provision, coupled with the absence of any express discretion permitting any extension beyond the prescribed timelines, indicates a clear legislative intent to impose strict compliance. Treating the provision as merely directory would defeat the regulatory purpose and permit circumvention of regulatory safeguards through investors approvals or delayed actions, thereby undermining the discipline and regulation sought to be achieved through the AIF Regulations. Further, it is noted that the mandate to wind up the Scheme upon completion of its tenure as specified in the PPM derives its force from regulation 29(1)(a) of the AIF Regulations and not merely from the terms of PPM as contended by the Noticee No. 1. Moreover, once the PPM is filed with SEBI, the terms therein are not merely private contract but become the statutory basis upon which the Fund is permitted to operate. Thus, the obligation under regulation 29(1)(a), therefore, cannot be construed as directory or advisory in nature.

29. In this context, further reliance is placed on the order of the Hon'ble SAT in the matter of *Cinema Capital Advisory Private Limited and Ors.*[3], wherein it was observed that:

> *"11. It was contended that the word "shall" used in regulations 23 and 24 is not mandatory but is directory in as much as there could be a possibility where the proceeds or winding up was beyond the given circumstances and, therefore what is required to be seen is whether sincere efforts was made on their part in winding up the scheme and distributing the proceeds. We are of the opinion, that it is not necessary for us to go into the question as to whether the period prescribed under regulation 23*

[3] Appeal No. 437 of 2019, Date of Decision: September 14, 2021

and 24 is mandatory or not nor is it necessary to go into the explanation given by the appellants as to why they could not wind up the scheme within the stipulated period for the reasons stated hereunder.

12. Admittedly, the scheme expired on November 14, 2015. Decision to wind up the scheme was taken on March 07, 2016. As on date, more than 5 years has elapsed and admittedly the entire proceeds has not been distributed to the investors nor the scheme has been wound up. Assuming that the regulations 23 and 24 are directory in nature, nonetheless, the appellants were required to wind up the scheme and distribute the proceeds at the earliest. Five years is a long time and therefore it is clear that the appellants bonafides is doubtful."

30. Similarly, in the instant matter, the delay in exit from two investments was more than three years after completion of the extended tenure of the Scheme, which resulted in delay in winding up of the Scheme in mandated timelines as per the PPM read with regulation 29(1)(a) of the AIF Regulations. Therefore, the contention of the Noticee No. 1 is devoid of merit and stands rejected.

31. Further, Noticee No. 1 submitted that the deadline contained in the provision is itself adopted from a contract, irrespective of the tenure in the AIF's placement memorandum. It stated that the contracts are capable of amendment/novation by mutual consent of the parties. If the parties to a contract amend the term, without any further act or deed, the deadline referred to in regulation 29 too would stand extended. Noticee No. 1 contended that the investors had consented to extend the tenure of the Scheme, therefore, the very contract from which the provision derives the deadline has amended the deadline and thus, the requirement under regulation 29(1)(a) of the AIF Regulations stood changed. In this regard, it is noted that while parties to a contract may, amend or novate contractual terms *inter se*, such contractual autonomy operates subject to, and cannot override or circumvent, regulatory mandate. The tenure specified in the PPM acquires regulatory significance once it is incorporated into a scheme governed by the applicable regulatory framework and compliance with the corresponding regulatory obligations becomes mandatory. The deadline specified in regulation 29(1)(a) of the AIF Regulations is not a mere contractual stipulation but a regulatory obligation intended to ensure certainty, discipline and investor protection within the fund framework. Consequently, any extension of the tenure of the Scheme by investors approval, cannot, by itself, modify or override

the applicable regulatory provisions. Acceptance of such an argument would allow investors approvals to dilute mandatory regulatory mandates, which is impermissible. Further, it is already held hereinabove that the mandate to wind up the Scheme upon completion of its tenure as specified in the PPM derives its force from regulation 29(1)(a) of the AIF Regulations and not merely from the terms of PPM. Therefore, the above contentions of the Noticee No. 1 are misplaced and untenable.

32. Noticee No. 1 further submitted that the delay in winding up the Scheme was caused by circumstances beyond its control, making strict compliance with the timelines envisaged under the PPM impossible, thus, the principles of *lex non cogit ad impossibilia* and *impotentia excusat legem* is applicable in the present matter. Noticee No. 1 submitted that it was unable to liquidate the scheme due to lack of liquidity and market constraints. In this regard, I observe that the reasons for not winding up listed out by Noticee No. 1 represent standard, commercial and entrepreneurial risks that investment managers are explicitly compensated to navigate. Further, with respect to COVID 19, it is observed that the mandatory liquidation timeline for the Scheme expired in August 2022. The peaks of the COVID-19 pandemic occurred in 2020 and 2021, by August 2022 macro-operations in the Indian financial markets had already normalized. Further, Noticee No. 1's own submissions contradict its impossibility plea. It acknowledged that it had exited from four (4) of the six (6) residual assets between July 2023 and January 2024. This demonstrates that divestment was possible but it was simply not achieved within the regulatory timeline. The remaining two assets were not exited, which as per Noticee No. 1, due to non-availability of value-preserving exit alternatives. I note that this is a commercial judgment but not a legal impossibility. Therefore, the delay in winding up the Scheme was not caused by any impossibility at the relevant time, hence, the contentions of the Noticee No. 1 are devoid of any merit.

33. Noticee No. 1 also contended that SEBI (AIF) (Second Amendment) Regulations, 2024 and the circulars of April 26, 2024 and July 9, 2024, which introduced formal liquidation periods and dissolution periods, demonstrate that SEBI itself recognised that winding up

within the earlier timelines was unrealistic. It is a fundamental principle of statutory interpretation that regulatory amendments modifying liabilities or introducing new compliance pathways are strictly prospective in nature, unless the legislature explicitly mandates retroactive application. In this regard, I observe that the AIF (Second Amendment) Regulations, 2024 and the subsequent circulars providing structured paths for unliquidated assets apply prospectively. They introduced a highly regulated, mandatory application process to enter a dissolution period. Noticee No. 1 cannot claim the benefit of a structured policy that was not in operation during the period of the default.

34. Admittedly, Noticee No. 1 failed to wind up the scheme in terms of the PPM and AIF Regulations during the mandatory winding up of scheme on August 14, 2019 and the extended term ended on August 14, 2021. Thus, it was required to be liquidated and distribute proceeds by August 14, 2022 as per regulation 29(7) of AIF Regulations. However, the Fund went ahead and sought consent of the investors to extend the scheme up to August 14, 2023. Such an extension was neither in line with the terms of the PPM nor regulation 29(1)(a) read with regulation 29(5) and regulation 29(7) of AIF Regulations. Since, it failed to wind up, Noticee No. 1 availed the fresh liquidation time under SEBI circulars dated April 26, 2024 and July 09, 2024. However, the scheme was not wound up even during such fresh liquidation period which ended on April 24, 2025. Therefore, the defence and submissions made by Noticee No. 1 for such delay as discussed above are not accepted and are untenable.

35. Hence, I am of the opinion that Noticee No. 1 violated regulation 29(1)(a) read with regulation 29(5) and regulation 29(7) of AIF Regulations.

Issue No. II Whether Noticee No. 1 failed to file the quarterly report on time and thereby violated regulation 28 of AIF Regulations read with Circular SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/549 dated April 07, 2021 and Circular CIR/IMD/DF/10/2013 dated July 29, 2013?

36. It was alleged in the SCN that Noticee No. 1 failed to ensure timely submission of the quarterly report for the quarter ended March 2023, resulting in a delay of eight (8) days. Noticee No.1 submitted that the said delay was a minor and technical oversight.

37. In this regard, I note that regulation 28 of the AIF Regulations requires every AIF to submit quarterly reports to SEBI within specified timelines. For the quarter ended March 31, 2023, the Noticees were required to submit their quarterly report by a defined deadline. The report was submitted eight (8) days after that deadline.

38. Noticee No. 1 contended that it was occupied during January–March 2023 in responding to SEBI's supervisory queries, and that this diverted their compliance resources. This submission cannot be accepted. Regulatory reporting obligations run continuously and in parallel with other supervisory interactions. The commencement of a supervisory inquiry does not suspend a registered intermediary's compliance obligations.

39. I observe that timely reporting enables SEBI to monitor AIF operations, identify early warning signs of distress, ensure compliance with investment conditions, and protect investors on an ongoing basis. A delay, however brief, creates a gap in SEBI's supervisory information, and the law draws no distinction between an eight-day delay and a longer one for purposes of determining whether a breach occurred. Therefore, I am of the opinion that Noticee No. 1 violated regulation 28 of AIF Regulations read with Circular SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/549 dated April 07, 2021 and Circular CIR/IMD/DF/10/2013 dated July 29, 2013.

Issue No. III Whether Noticee No. 1 had breached the maximum investment limit of 25% of investible funds in overseas VCU for the period January 05, 2017 to July 26, 2023 and thereby, violated regulation 15(1)(a) of the AIF Regulations red with Circular No. CIR/IMD/DF/7/2015 dated October 01, 2015?

40. It was alleged in the SCN that Noticee No. 1 breached overseas investment concentration limits on January 05, 2017 which was only diluted on July 26, 2023. Noticee

No. 1 in this regard submitted that the said breach was minor, technical, and devoid of any element of wilfulness or concealment. Noticee No. 1 also submitted that the difference arose due to the computation of investible corpus under Indian GAAP and introduction of GST in the year 2017.

41. I note that regulation 15(1)(a) of the AIF Regulations provides that an AIF shall not invest more than 25% of its investible funds in overseas investments. The 'investible funds' concept refers to the corpus of the scheme available for deployment, after accounting for permitted expenses. This limit is intended to ensure that AIFs registered under Indian law primarily deploy capital in Indian markets, and that overseas exposure remains a limited component of the portfolio.

42. Regarding Noticee No. 1's contention that certain items included by SEBI in the gross overseas investment figure, specifically, professional fees capitalised as part of the cost of investment under Indian GAAP and equity shares issued to overseas entities in lieu of accrued interest should be excluded from the computation. I note that Noticee No. 1 did not provide any detail of said items of professional fees and equity shares issued in lieu of accrued interest as contended by it and the rationale behind such treatment. Accordingly, I am of the opinion that selectively excluding items that inflate the exposure, on the basis of accounting convention and that too not elaborated in the reply, would allow the circumvention of letter of the regulation by structuring. Therefore, I tend to disagree with the contention of Noticee No. 1 in this regard.

43. With respect to introduction of GST, Noticee No. 1 had contended that introduction of GST had impacted its investible corpus. In this regard, I note that GST Acts were passed by the parliament in March 2017 and were implemented in July 2017 whereas Noticee No. 1 breached the limit in January 2017. I further observe that Noticee No. 1 being a registered intermediary, is expected to foresee regular, predictable cash outflows, such as statutory tax liabilities and administrative costs and to maintain an adequate cash buffer. The obligation to monitor and maintain compliance with investment limits is a continuous obligation, not a one-time test. I note that Noticee No. 1 failed to maintain

investment limits and failed to take timely corrective action and consequently allowed the breach to persist from January 2017 until July 2023.

44. Therefore, I am of the opinion that Noticee No. 1 has violated regulation 15(1)(a) of the AIF Regulations read with Circular No. CIR/IMD/DF/7/2015 dated October 01, 2015.

Issue No. IV Whether Noticee No. 1 failed to undertake valuation of its investments at least once in every six months (September 2023) and thereby violated regulation 23(2) of the AIF Regulations?

45. It was alleged in the SCN that Noticee No. 1 did not undertake the valuation of its investment for half year ending September 2023. Noticee No. 1 in its reply submitted that the scheme had exceeded not only its original and extended tenure, but also the mandatory liquidation period, and was not carrying on any investment activity. Hence, it was under the impression that valuation may not be required as the scheme had already crossed its permitted tenure.

46. I note that regulation 23(2) is a general provision applicable to all AIFs. It contains no carve-out, qualification, or exception for schemes that have exceeded their permitted tenure, are in wind-up mode, or are engaged in liquidation. Until a Scheme is formally wound up and its registration cancelled by SEBI, it remains a registered AIF and is subject to all applicable provisions of the AIF Regulations and the circulars issued thereunder. The purpose of the half-yearly valuation obligation is to provide investors with an accurate, independent assessment of the current fair value of their holdings.

47. Therefore, I am of the opinion that by failing to undertake the valuation of its investment for half year ending September 2023, Noticee No. 1 violated regulation 23(2) of AIF Regulations.

Issue No. V Whether Noticee No. 1 failed to intimate Noticee No. 7 about the overseas investment breach and failed to undertake the valuation of its investments during the September 2024 period and thereby violated regulation 28 of the AIF Regulations read

with clause 4 of the SEBI Circular CIR/IMD/DF/14/2014 dated June 19, 2014 and clause 15.2 of the Master Circular dated May 07, 2024?

48. It was alleged in the SCN that the CTR filed by the Noticee No. 1 for FY 2023-24 did not intimate and disclose two material compliance failures to Noticee No. 7 that had occurred during the reporting period: (a) the breach of the 25% overseas investment limit; and (b) the failure to conduct the half-yearly valuation for September 2023. I find that the omission of these material facts from CTR was not an inadvertent oversight. Noticee No. 1 acknowledged the omission, stating that the exclusion was a deliberate and conscious decision on the grounds that: (i) SEBI was already aware of both issues; and (ii) both issues were historical and had been rectified.

49. In this regard, I note that the CTR serves an Independent Compliance Certification Function. A CTR is an internal compliance certification by the investment manager. The fact that SEBI was independently aware of a breach, whether through direct disclosure by the Noticee No. 1 or through its own inspection, is entirely irrelevant to the Noticee No. 1's obligation to record that breach in its own CTR. To allow an entity to omit known breaches from the CTR on the basis that 'SEBI already knows' would reduce the CTR to a selective reporting exercise, undermining its function as an independent compliance attestation.

50. Therefore, I am of the opinion that Noticee No. 1 violated regulation 28 of the AIF Regulations read with clause 4 of the SEBI Circular CIR/IMD/DF/14/2014 dated June 19, 2014 and clause 15.2 of the Master Circular dated May 07, 2024.

Issue No. VI Whether Noticee No. 2 failed in its duties as investment manager and thereby violated the provisions as violated by Noticee No. 1?

51. Noticee No. 2 did not submit any specific reply pertaining to the aforesaid allegation, rather relied upon the reply of Noticee No. 1. In this regard, I note that regulation 20(5) of AIF Regulations provides that manager shall be responsible for every decision of the

AIF, including ensuring that the decisions are, *inter alia*, in compliance with the provisions of AIF regulations, fund documents and applicable laws. Further, regulation 20(1) of AIF Regulations requires manager of an AIF to abide by the Code of Conduct as specified in Fourth Schedule. Clause 2(a) of Code of Conduct requires manager of an AIF to abide by the Act, Rules, Regulations, Guidelines and Circulars as applicable to Alternative Investment Funds at all times. From the aforesaid, I am of the opinion that an investment manager is the primary gatekeeper of the fund to ensure that that the fund is operated with utmost transparency, and in absolutely compliance with AIF Regulations and circulars issued thereunder. For the reasons discussed in paragraphs above, I am of the opinion that Noticee No. 2 being investment manager failed in its fiduciary responsibility to ensure that the fund abides by AIF Regulations. Therefore, I am of the opinion that Noticee No. 2 has violated the following provisions:

(a) Regulation 29(1)(a) read with regulation 29(5) and regulation 29(7) of AIF Regulations;

(b) Regulation 28 of AIF Regulations read with Circular SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/549 dated April 07, 2021 and Circular CIR/IMD/DF/10/2013 dated July 29, 2013;

(c) Regulation 15(1)(a) of the AIF Regulations red with Circular No. CIR/IMD/DF/7/2015 dated October 01, 2015;

(d) Regulation 23(2) of the AIF Regulations;

(e) Regulation 28 of the AIF Regulations read with clause 4 of the SEBI Circular CIR/IMD/DF/14/2014 dated June 19, 2014 read with clause 15.2 of the Master Circular dated May 07, 2024.

Issue No. VII Whether Noticee Nos. 3 to 5, being directors of Noticee No. 2 have violated regulation 20(1) of AIF Regulations read with clause 2(a) of the Code of Conduct?

52. Noticees submitted that the SCN does not invoke section 27 of the SEBI Act and therefore, cannot ground individual liability in the KMPs. They further contended that the

individual Noticees played limited, supervisory roles and that all material decisions were taken institutionally by the investment manager as an entity.

53. In this regard, I note that there is no material available on record to demonstrate the specific role of the Noticee Nos. 3 to 5 with respect to the violation on the part of Noticee No. 1 and the SCN has not attributed any act of omission or commission personally to Noticee Nos. 3 to 5.

54. It is pertinent to mention here that Hon'ble SAT in the matter of *Amit Misra v. SEBI*[4] observed that every director need not be penalized merely because he/she is a director and if the director can explain that he/she had no role to play in the alleged default, the presumption of guilt followed by penalty cannot be attached. Hon'ble SAT in this regard, observed that:

> "*7. Further, the decision of this Tribunal in Dr. Jugal Kishore Satapati vs. SEBI appeal no. 283 of 2018 decided on 28th June, 2019, G. Unnikrishnan Nair & Ors. vs. SEBI, appeal no.5 of 2018 decided on 27th November, 2019, Sayati Sen vs. SEBI, appeal no.163 of 2018 decided on 9h August, 2019, are applicable. This Tribunal has held that the mere fact that a person is a Director of a company cannot be held responsible for the acts of the Company unless it is found that the said person was responsible in some way for the alleged violation."* (Emphasis supplied)

55. Thus, in the absence of any evidence depicting the active involvement of Noticee Nos. 3 to 5, I find it difficult to hold them liable for the violations committed by Noticee No. 2.

56. From the aforesaid, I am of the opinion that Noticee Nos. 3 to 5 did not violate regulation 20(1) of AIF Regulations read with clause 2(a) of the Code of Conduct.

Issue No. VIII Whether Noticee No. 7 failed to ensure winding up the AIF scheme pursuant to completion of the tenure and thereby violated regulation 29(1)(a) read with regulation 29(5) and regulation 29(7) of the AIF Regulations and regulation 20(1) of the AIF Regulations read with clause 3(b) of the code of conduct?

[4] Appeal No. 410 of 2019, Date of order March 09, 2021

57. Noticee No. 7 has contended that it did not remain passive but actively used all available measures to push the investment manager towards winding up. To expedite the closure, Noticee No. 7 being the trustee drafted and circulated formal winding-up documents to the investment manager as early as June 2, 2023. Noticee No. 7 further submitted that it maintained strict supervisory vigilance, hosted multiple conference calls, in-person meetings, and discussions to guide the investment manager on compliance under regulations 29(1)(a) and 29(8). Noticee No. 7 also kept SEBI fully updated on these winding-up bottlenecks, notably through a detailed status report sent via email on August 28, 2023. For the merits of the matter, Noticee No, 7 reiterated the submissions made by Noticee No. 1, which have already been dealt in the previous paragraphs.

58. In this regard, it is noted that if a trustee could escape liability for systemic statutory breaches simply by pointing out that the investment manager was in charge of operations, the entire regulatory requirement of appointing an independent trustee would become redundant. The trustee's role is specifically designed to act as a gatekeeper to prevent the timeline overruns and compliance failures that could occur. In the instant matter, Noticee No. 7 by failing to intimate Noticee No. 1 to initiate winding up of the Scheme when its tenure ended 2019, effectively neutralized a key safeguard intended to prevent the prohibited extension of the Scheme. Thus, it is not the case of undertaking the executive control over the Fund's divestment strategy or influencing the day-to-day commercial decisions of the Fund as contended by Noticee No. 7, however, Noticee No. 7 failed to advise Noticee No. 1 to initiate winding up of the Scheme when its tenure ended. Therefore, the above contentions of the Noticee No. 7 are untenable. Despite its prior experience and clear understanding of its role, Noticee No. 7 failed to take adequate measures in the instant case and deviated from its fiduciary duties and responsibilities. Its failure to intimate Noticee No. 1 to initiate winding up of the Scheme or to even formally dissent, signifies a deviation from its fiduciary role. Therefore, Noticee No. 7's plea of bona fide intent is untenable.

59. In view of the above findings, I hold that Noticee No. 7 violated the provisions of regulation 29(1)(a) read with regulation 29(5) and regulation 29(7) of the AIF Regulations and regulation 20(1) of the AIF Regulations read with clause 3(b) of the Code of Conduct.

Issue No. IX If yes, whether the failure, on the part of the Noticee Nos. 1, 2 and 7 would attract monetary penalty under section 15EA of SEBI Act?
Issue No. X If yes, what would be the monetary penalty that can be imposed upon the Noticee Nos. 1, 2 and 7 taking into consideration the factors stipulated in section 15J of SEBI Act?

60. In the light of findings and observations made against the Noticees brought out in the foregoing paragraphs, it is evident that Noticee Nos. 1, 2 and 7 have violated provisions of AIF Regulations and circulars thereunder.

61. With regard to levy of monetary penalty, Noticee Nos. 1, 2 and 7 submitted that the violations are at best merely technical, unintentional and venial in nature which do not merit imposition of penalty, the default did not result in any undue harm to investors or gain to the Noticees and the object of examination is remedial and not punitive, hence, no penalty should be imposed on them. In this regard, Noticee Nos. 1, 2 and 7 relied on the observations of the Hon'ble SAT in the matter of UPSE Securities Limited v. SEBI[5], Religare Securities Limited v. SEBI[6], IDBI Trusteeship Services Limited v. SEBI[7], Doogar and Associates v. SEBI[8] and observations in the Order dated February 02, 2017 in the matter of acquisition of shares of Refex Refrigerants Limited by WTM, SEBI.

62. I find that the allegation of violations established in the cases relied upon by Noticee Nos. 1, 2 and 7 are materially different from the violations that have been established in the present case. Further, the facts and circumstances of the said cases differ from the instant

[5] Appeal No. 109 of 2011, decided on July 25, 2011
[6] Appeal No. 23 of 2011, decided on June 16, 2011
[7] Appeal No. 186 of 2023, decided on February 22, 2023
[8] Appeal No. 20 of 2002

matter and Noticee Nos. 1, 2 and 7 have also failed to demonstrate that how the aforesaid cases will be applicable in the instant proceedings. I shall now proceed to deal with the aforesaid cases in the following paragraphs.

63. I note that the Hon'ble SAT in the matter of *UPSE Securities Limited* observed that for serious lapses, it would always be open to SEBI to take penal action in accordance with law. In the matter of *Religare Securities Limited*, the Hon'ble SAT dealt with procedural lapses identified during an inspection of the intermediary's broking and depository operations. The Hon'ble SAT noted that the inspecting team had failed to raise queries or seek clarifications during the inspection and therefore, the benefit of doubt was extended to the intermediary. In said matter, the Hon'ble SAT observed: "*This will, of course, depend on the nature of the irregularity noticed and we hasten to add a caveat that it is not being suggested that if any serious lapse is found during the course of the inspection, the Board should not proceed against the delinquent*." Similarly, in the matter of *IDBI Trusteeship Services Limited*, inspection findings were made regarding failure in updating the default history information and asset cover certificate, which were observed to be technical and not serious in nature by the Hon'ble SAT. I note that it is not a case where inspection found minor and technical discrepancy/irregularity, however, the lapses in the instant matter are serious and substantial in nature as observed hereinabove. Therefore, the ratio of aforesaid cases does not provide any relief to the Noticees in the instant matter.

64. Similarly, in the matter the of *Doogar and Associates*, the merchant banker filed a copy of the public announcement related to public offer with delay. However, the violations established in the present cases are materially different and grave from the violations of the relied upon matter. The Hon'ble SAT noted the merchant banker's bona fide conduct, observing that an unexpected development caused the failure to file the public announcement with SEBI two days in advance of its publication, as required. In the said case, there was an omission by the employee where the merchant banker had acted honestly and diligently, unlike the present matter.

65. As regards SEBI WTM's Order dated February 02, 2017 in the matter of acquisition of shares of *Refex Refrigerants Limited*, it is noted that the allegations were pertaining to violation of provisions of SEBI Takeover Regulations, where acquisition of minuscule and negligible percentage of shares (42 shares) was involved and subsequent amendments to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 introduced more relaxed provisions that would have permitted such an acquisition without an open offer, which mitigated the gravity of the violation. Hence, said case does not stand on the same footing as the given case of Noticees. Further, I also note that the Hon'ble Supreme Court in the matter of *Adjudicating Officer v. Bhavesh Pabari* held that section 15J are merely illustrative and are not the only grounds/factors which can be taken into consideration while determining the quantum of penalty. Hence, the aforesaid contentions of the Noticee Nos. 1, 2 and 7 are not acceptable.

66. Noticee Nos. 1, 2 and 7 further contended that SCN failed to demonstrate any investor loss, market distortion, or mala fide intent. Noticee Nos. 1, 2 and 7 contended that the non-compliances were inadvertent in nature and it did not affect the interest of the investors, not impacted the securities market, no gain was made by Noticee Nos. 1, 2 and 7 and no loss was caused to the investors, I note that the said violation by the Noticee Nos. 1, 2 and 7 is a substantive lapse under the AIF Regulations. In this context, reference is drawn to the ruling of Hon'ble High Court of Bombay in the matter of SEBI v. Cabot International Capital Corporation[9], wherein the Hon'ble High Court of Bombay, *inter alia*, held that:

> "*31. The adjudication for imposing penalty by Adjudicating Officer, after due inquiry, is neither a criminal nor a quasi criminal proceeding. The penalty leviable under this Chapter or under these Sections, is penalty in cases of default or failure of statutory obligation or in other words breach of civil obligation. The provisions and scheme of penalty under SEBI Act and the Regulations, there is no element of any criminal offence or punishment as contemplated under criminal proceedings. Therefore, there is no question of proof of any mens rea by the Appellants and it is not essential element for imposing penalty under SEBI Act and the Regulations.....*
> *32. The SEBI Act and the Regulations, are intended to regulate the Security Market and the related aspects, the imposition of penalty, in the given facts and circumstances of the*

[9] Appeal No. 7 of 2001

case, cannot be tested on the ground of "no mens rea, no penalty". For breaches of provisions of SEBI Act and Regulations, according to us, which are civil in nature, mens rea is not essential. On particular facts and circumstances of the case, proper exercise of judicial discretion is a must, but not on a foundation that mens rea is an essential to impose penalty in each and every breach of provisions of the SEBI Act.....According to us, mens rea is not essential for imposing civil penalties under the SEBI Act and Regulations."

67. Further reliance is placed on the observations of the Hon'ble SAT in the matter of *Komal Nahata v. SEBI*[10] observed that :

> "*Argument that no investor has suffered on account of non-disclosure and that the AO has not considered the mitigating factors set out under Section 15J of SEBI Act, 1992 is without any merit because firstly penalty for non-compliance of SAST Regulations, 1997 and PIT Regulations, 1992 is not dependent upon the investors actually suffering on account of such non-disclosure*".

68. I further note that in Appeal No. 78 of 2014 in the case of *Akriti Global Traders Ltd. v. SEBI*[11], the Hon'ble SAT vide order dated September 30, 2014 observed that:

> "*... Argument of appellant that the delay was unintentional and that the appellant has not gained from such delay and therefore penalty ought not to have been imposed is without any merit, because, firstly, penal liability arises as soon as provisions under the regulations are violated and that penal liability is neither dependent upon intention of parties nor gains accrued from such delay*".

69. Further, reliance is placed on the order of Hon'ble SAT in the matter of India Asset Growth Fund v. SEBI[12] wherein the AIF had failed to wind up the scheme on time, failed in filing PPM report, failed to disclose distribution waterfall amongst other violations. Hon'ble SAT in the said matter the observed the following:

> *"The Fund belongs to the investors and if any penalty is imposed on the Fund, that will have to be appropriated from the investment made by the individual investors, which means that investors will indirectly become liable to pay the penalty for the acts and omissions on the part of the Fund Manager. Therefore, in our considered view, imposition of penalty against the Fund is not sustainable."*

70. Therefore, from the aforesaid order of Hon'ble SAT, I am of the opinion that it would not appropriate to impose any penalty on Noticee No. 1 for the violations enunciated in the paragraphs above. Nevertheless, the penalty on Noticee No. 2 and 7 shall follow.

[10] Appeal No. 5 of 2014
[11] Appeal No. 78 of 2014
[12] Appeal No. 355 of 2025, Date of order March 17, 2026

71. The aforesaid violations, makes the Noticee Nos. 2 and 7 liable for penalty under section 15EA of the SEBI Act. The text of the above referred section 15EA of SEBI Act is reproduced herein below:

> ***"Penalty for default in case of alternative investment funds, infrastructure investment trusts and real estate investment trusts.***
> *15EA. Where any person fails to comply with the regulations made by the Board in respect of alternative investment funds, infrastructure investment trusts and real estate investment trusts or fails to comply with the directions issued by the Board, such person shall be liable to penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees or three times the amount of gains made out of such failure, whichever is higher."*

72. While determining the quantum of penalty, it is important to consider the factors stipulated in section 15-J of the SEBI Act, which reads as under: -

> ***"Factors to be taken into account while adjudging quantum of penalty***
> ***15J*** *While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely:-*
> *(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
> *(b) the amount of loss caused to an investor or group of investors as a result of the default;*
> *(c) the repetitive nature of the default."*

73. In this case, from the material available on record, any quantifiable gain or unfair advantage accrued to Noticee Nos. 2 and 7 or the extent of loss suffered by the investors as a result of non-compliance to the provisions is not available. Further, from the material available on record, it is not possible to ascertain the exact monetary loss to the investors on account of violations by the Noticee Nos. 2 and 7. With respect to the repetitive nature of the default, I do not find anything on record with respect to Noticee No. 2. The details of previous defaults by the Noticee No. 7 are summarised in the table given below:

Sr. No.	Case name	Provisions violated	Date of Order	Penalty/ Directions
1	Vaishno Devi Dairy Products Limited	Regulation 15(1)(i) of SEBI (Debenture Trustees) Regulations, 1993 (hereinafter referred to as **'DT Regulations'**) and regulation 16 read with clause 19 of Code of Conduct provided under DT Regulations.	April 27, 2022	₹10,00,000/- (Reduced to ₹5,00,000/- by the Hon'ble SAT)

Sr. No.	Case name	Provisions violated	Date of Order	Penalty/ Directions
2	LRN Finance Ltd	Regulation 15(1)(i) and 16 of the DT Regulations read with the clause (1), (2), (3) and (4) of Code of Conduct given under Schedule III.	October 26, 2018	₹5,00,000/-
3	Vistaar Religare Media Fund	Regulation 23(1)(b) of SEBI (Venture Capital Fund) Regulations.	April 24, 2023	Directed not to take new assignments as trustee of AIF of any category, for a period of three months.
4	Inpsection of Vistra ITCL India Limited FY 2021-22	Regulations 15(1)(r), 15(1)(s) and 16 of DT Regulations, clauses 4, 13 and 15 of Schedule III of DT Regulations and SEBI circulars.	August 29, 2024	₹12,00,000/-
5	Inspection of Vistra ITCL India Limited FY 2022-23	Regulations 13(a), 15(6), 15(1)(r) and 15(1)(s) of DT Regulations, clause 4 of Code of Conduct and SEBI circulars.	August 22, 2024	₹6,00,000/-
6	KellyGamma Fund	Regulation 20(1), 20(2) of AIF Regulations read with clause 3(b) of Code of Conduct as specified in the Fourth Schedule of AIF Regulations.	February 28, 2025	₹1,00,000/-
7	India Asset Growth Fund	Regulations 20(1), 20(2) of AIF Regulations read with clauses 3(a) and 3(b) of Code of Conduct of AIF Regulations.	June 20, 2025	₹6,00,000/-
8	India Knowledge Manufacturing Fund-I, a scheme of Forum Synergies India Trust	Regulation 23(1)(a) read with regulation 23(3) and 24(2) read with regulation 23(3) and 23(1)(a) of VCF Regulations	February 23, 2026	₹10,00,000/-

74. I note that Noticee Nos. 2 and 7 committed five distinct violations. This reflects a systemic compliance deficit, not an isolated or inadvertent lapse. I also note that the violation by Noticee No. 7 is repetitive in nature in view of the table above. The aforementioned factors have been taken into consideration while adjudging the penalty.

ORDER

75. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in section 15J of the SEBI Act and in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose the following monetary penalty on the Noticee Nos. 2 and 7 under section 15EA of the SEBI Act:

Noticee No.	Name of the Noticee	Penalty
2.	**Exfinity Venture Partners LLP**	₹10,00,000/- (Rupees Ten Lakh)
7.	**Vistra ITCL (India) Limited**	₹10,00,000/- (Rupees Ten Lakh)

76. The said penalty is commensurate with the lapses/omissions on the part of Noticee Nos. 2 and 7. They shall remit/pay the said amount of penalty within 45 days of receipt of this order through the online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT > Orders > Orders of AO > PAY NOW.

77. In terms of the provisions of rule 6 of the Rules, a copy of this order is being sent to the Noticees and also to Securities and Exchange Board of India.

JAI SEBASTIAN
Digitally signed by JAI SEBASTIAN
Date: 2026.06.25 16:23:24 +05'30'

Date : June 25, 2026
Place: Mumbai

JAI SEBASTIAN
ADJUDICATING OFFICER