

SECURITIES AND EXCHANGE BOARD OF INDIA
SETTLEMENT ORDER

Settlement Application Number	Name of the Applicant	PAN
6960/2022	UNIFI AIF	AAATU4955E

In the matter of Unifi AIF, a Category III Alternative Investment Fund

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1. Unifi AIF (hereinafter referred to as “**Applicant**”) filed a *suo motu* settlement application (hereinafter referred to as “**Application**”) with Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “**Settlement Regulations**”) proposing to settle by neither admitting nor denying any finding of fact or conclusion of law, the enforcement proceedings that may be initiated against it for the non-compliance of :
 - (a) Regulation 18(a) of the SEBI (Alternative Investment Funds) Regulations, 2012 (hereinafter referred to as “**AIF Regulations**”);
 - (b) Regulation 18(c) of the AIF Regulations;
 - (c) Regulation 24 (a) of AIF Regulations read with provisions of SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014.

 2. The brief facts of the case are as follows:
 - (a) The Applicant is registered with SEBI as a Category III Alternative Investment Fund since 2013 bearing registration no. IN/AIF3/12-13/0026.

 - (b) It was observed that the Applicant had invested in 3,11,72,961 units of JM Mutual Fund – Large Cap amounting to Rs. 86 crore as on November 27, 2018 that were held till September 01, 2020. As per Regulation 18(a) of the AIF Regulations, an AIF may invest in securities of listed or unlisted

investee companies or derivatives or complex or structured products. However, as per the investment conditions contained in Regulation 18(a) of the AIF Regulations, an AIF is not allowed to invest in mutual funds categorized as Large Capital Funds. Hence, the Applicant sought to settle the violation under Regulation 18(a) of the AIF Regulations.

(c) Further, it is observed from the monthly portfolio statements of the Fund for the months ended April 2020, May 2020 and June 2020, and the communication made to the investors for the quarter ended June 2020 that the Applicant had outstanding positions in derivatives for the months ended April 2020 to August 2020. It was further observed that the Applicant failed to disclose to the investors, the level of leverage arising from the position held by it in Futures as on June 30, 2020. Hence, the application also sought to settle violation under Regulation 18 (c) of the AIF Regulations.

(d) The Applicant had obtained registration as a Category III AIF on January 23, 2013 and applied to obtain SCORES authentication on January 29, 2016. As per SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014, a SEBI registered intermediary is required to obtain SCORES user id and password within 30 days from the date of the registration. The aforesaid Circular also states that such a failure would be deemed as non-redressal of investor grievances. Further, Regulation 24(a) of the AIF Regulations states that the Manager shall be obliged to address all investor grievances. Hence, the Applicant sought to settle the violation of Regulation 24(a) of the AIF Regulations read with SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014.

(e) Adjudication proceedings were initiated against M/s Unifi Capital Pvt. Ltd., the investment manager of the Applicant and its board of directors and key management personnel for the alleged violation of Regulations 18(a), 18(c) and 24(a) of the AIF Regulations read with SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014. The details of the entities are as given below:

Sr. No.	Name	PAN
1.	Rajgopalan Santhanam	AHDPS1429F
2.	M S Sundararajan	AAFPM4934N
3.	Unifi Capital Private Limited	AAACU5196J
4.	Sarath Chandra Reddy Kakani	AAIPC6424A
5.	Sandeep Nadigadda Reddy	ABEPN8555E
6.	Krishnamurthy Narendranath	AAAPN1873E
7.	Govindasamy Maran	AGWPM7938H
8.	Christopher Vinod	AAUPC3243M

3. The aforesaid 8 entities filed for settlement of the adjudication proceedings initiated against them vide show cause notice dated October 19, 2022. The application of the 8 entities and that of the Applicant were considered by the Internal Committee of SEBI and on January 03, 2023 and February 09, 2023, the issues detailed above were deliberated along with the terms of settlement with the authorized representatives of the 8 entities and the Applicant. Thereafter, this Applicant, along with the aforesaid 8 entities, jointly proposed revised settlement terms vide joint letter dated February 17, 2023, to settle any enforcement proceedings that may be initiated against the Applicant for the aforesaid violations and to settle the adjudication proceedings initiated against the 8 entities vide show cause notice dated October 19, 2022.
4. The High Powered Advisory Committee (hereinafter referred to as “**HPAC**”) in its meeting held on March 9, 2023, considered the revised settlement terms proposed by the Applicant and the aforesaid 8 entities and recommended the case for settlement upon payment of Rs. 38,00,000/- (Rupees Thirty Eight Lakh Only) payable jointly and severally by the Applicant and the aforesaid 8 entities. Further, the HPAC recommended that the said settlement amount shall not be paid out of the investor funds and that the settlement amount may be borne by the “officers-in-default”. The recommendation of the HPAC was accepted by the Panel of Whole Time Members of SEBI on March 31, 2023 and the Notice of Demand was issued to the Applicant and the aforesaid 8 entities vide email dated

April 12, 2023. The Applicant and the aforesaid 8 entities informed about the remittance of the aforesaid settlement amount on April 20, 2023 and SEBI has confirmed credit of the same. Further the Applicant and the aforesaid 8 entities, vide email dated May 18, 2023 confirmed that the settlement amount was not paid out of investor funds and vide letter dated June 02, 2023 have undertaken and declared that the “officers-in-default” shall collectively bear the settlement amount. Subsequently, it was observed that certain parameters ought to have been applied that should have resulted in a settlement amount of Rs. 49,40,000/- instead of Rs. 38,00,000/- in terms of the Settlement Regulations. Accordingly, the Applicant and the aforesaid 8 entities were informed of the same and a Notice of Demand for the remaining amount of Rs. 11,40,000/- was issued to the Applicant and the aforesaid 8 entities vide email dated October 20, 2023. Thereafter, the Applicant and the aforesaid 8 entities remitted the differential amount on November 08, 2023 and informed SEBI of the same. SEBI has confirmed credit of the same.

5. On the basis of the facts stated above and since the Adjudication Proceedings against the aforesaid 8 entities have been disposed of on the settlement terms vide Settlement Order dated August 01, 2023 read with Addendum dated December 05, 2023, in exercise of the powers conferred under Section 15JB read with Section 19 of the Securities and Exchange Board of India Act, 1992 and in terms of Regulations 23 of the Settlement Regulations, it is hereby ordered that any proceedings that may be initiated for the violations as mentioned at paragraph 1 above, are settled in respect of the Applicant on the following terms:
 - (a) SEBI shall not initiate any enforcement action against the Applicant for the said violations, and
 - (b) passing of this Order is without prejudice to the right of SEBI under Regulation 28 of the Settlement Regulations to initiate appropriate actions against the Applicant, if SEBI finds that:
 - (i) any representation made by the Applicant in the present settlement proceedings is subsequently found to be untrue;

(ii) the Applicant has breached any of the clauses/ conditions of undertakings/waivers filed during the present settlement proceedings; and

(iii) there was a discrepancy while arriving at the settlement terms.

6. This Settlement Order is passed on this 18th day of December 2023 and shall come into force with immediate effect.

7. In terms of Regulation 25 of the Settlement Regulations, a copy of this Order shall be sent to the Applicant and shall also be published on the website of SEBI.

Sd/-

ANANTH NARAYAN G.
WHOLE TIME MEMBER

Sd/-

AMARJEET SINGH
WHOLE TIME MEMBER